



ASX OTC HANDBOOK

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ASX OTC Handbook

1 INTRODUCTION

1.1 ASX Clear (Futures) and OTC Handbook

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

Amended 11/02/14

1.2 Futures Rules and OTC Rules

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

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

Amended 11/02/14

1.3 Meanings of terms

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

1.4 Approved Trade Source Systems

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

- MarkitWire

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

Amended 29/05/17

1.4A Approved Compression Service Provider

ASX Clear (Futures) will notify OTC Participants when it approves an Approved Compression Service Provider.

Introduced 06/07/20

1.5 OTC Terms and OTC Transaction Types

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

1.6 Operating times and calendars

The OTC Clearing service will be open for registration of OTC Transactions during the following hours:

- each Business Day: 12.01am to 11.45pm Sydney time.

- Saturday: 12.01am to 7:00am Sydney time.

The OTC Clearing service will be closed for registration of OTC Transactions on each Published Holiday and on any Saturday immediately following a Published Holiday which falls on a Friday.

“Published Holiday” means any day that ASX Clear (Futures) notifies by market notice that it will be closed for registration of OTC Transactions.

Amended 27/02/17

1.7 Interpretation

Unless the contrary intention appears, in this OTC Handbook:

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

1.8 Number

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

1.9 Headings

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

1.10 Recovery Rules

Nothing in this OTC Handbook limits the Recovery Rules. This OTC Handbook does not prevail over the Recovery Rules.

Introduced 01/10/15

Explanatory Note:

The Recovery Rules may affect the operation of this OTC Handbook.

2 PARTICIPATION AND GENERAL

2.4 Application to become an OTC Participant

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

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

Amended 11/02/14

2.6 Fees and OTC Commitment

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

2.14 Access arrangements and trade authorisation

Access arrangements must:

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

The form of Attestation is set out in Schedule 7 (Attestation).

Amended 11/02/14

2.15 Client Sub-Accounts

Without limiting the effect of Futures Rule 113.5, an OTC Participant will only request approval of a CPM Client by ASX Clear (Futures) where the CPM Client:

- (a) is incorporated in a prescribed jurisdiction, or carrying on business in a prescribed jurisdiction, and satisfies the qualification criteria for the prescribed jurisdiction; or
- (b) is a wholesale client (as defined under the Corporations Act) and, in respect of contracts to be registered in the Client Sub-Account maintained for the CPM Client, is acting solely on behalf of an entity or entities that meet the conditions in paragraph (a) above.

For the purpose of this Paragraph 2.15, prescribed jurisdictions and qualification criteria are as follows:

Prescribed Jurisdiction	Qualification criteria
Australia	Wholesale Client (as defined under the Corporations Act)
Singapore	Accredited Investor, Institutional Investor or Expert Investor (as defined under the <i>Securities and Futures Act</i> (Singapore))
Member States of the European Union	Professional Client or Eligible Counterparty (as defined under the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) as in force from time to time or such corresponding designation under substitute legislation)
New Zealand	Wholesale Investor (as defined under the <i>Financial Markets Conduct Act 2013</i> (New Zealand))
Any other jurisdiction prescribed by ASX Clear (Futures) from time to time	Qualification criteria prescribed by ASX Clear (Futures) from time to time

For the purpose of OTC Rule 2.15, the OTC Participant and the CPM Client each represent that the CPM Client meets the conditions set out above in paragraph (a) or (b).

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

- (a) Client Name
- (b) Client LEI (or other identifier)
- (c) Client Address
- (d) Segregation Code (Omnibus or ICA)
- (e) Swapswire Participant ID
- (f) Consent Provider (mandatory)
- (g) Credit Token Issuer (optional)

Explanatory Note:

The data in paragraphs (f) and (g) is required to facilitate the submission of OTC Transactions by CPM Clients. Refer to OTC Handbook 4.3(A) CPM Client procedures for submission.

ASX reserves the right not to approve a CPM Client where it is not satisfied that the holding of Open Positions in respect of Open Contracts in a Client Sub-Account with

respect to the CPM Client will not cause ASX Clear (Futures) to breach any law, regulatory requirement or official directive, ruling or determination of any jurisdiction.

Introduced 11/02/14 Amended 07/07/14, 30/11/15, 29/05/17, 27/11/17, 18/06/18, 12/09/18

3 COMMITMENTS AND FINANCIAL REQUIREMENTS

3.2 OTC Commitment

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

3.3 Financial requirements of OTC Participants

For OTC Rule 3.3(b)(i), no information is currently prescribed.

Introduced 23/07/18

4 REGISTRATION

4.3 Submission of OTC Transactions

Limitations on swap clearing services for US Persons and FCMs

The submission for registration of OTC Transactions for US Persons and FCMs (each as defined below) is limited by and subject to the following conditions:

- (a) An OTC Participant that is a US Person may only submit an OTC Transaction for registration under OTC Rule 4.3 for itself or those US Persons identified in the Proprietary Account Definition.
- (b) An OTC Participant that is not a US Person may submit an OTC Transaction for registration under OTC Rule 4.3 for a US Person only if that US Person is affiliated and is identified in the Proprietary Account Definition.
- (c) An entity that is registered with CFTC as a FCM and either is an OTC Participant or has an affiliate that is an OTC Participant may only submit (either directly, as OTC Participant, or via its affiliated OTC Participant, respectively) an OTC Transaction for registration under OTC Rule 4.3 for itself or those US Persons identified in the Proprietary Account Definition.

Definitions:

“**CFTC**” means the US Commodity Futures Trading Commission.

“**FCM**” means a ‘Futures Commission Merchant’ as that term is defined in the rules and regulations of CFTC, as amended from time to time.

“**Order of Exemption**” means the order of exemption from registration as a Derivatives Clearing Organization issued by CFTC to ASX Clear (Futures) and dated 18 August 2015, as amended from time to time.

“**Proprietary Account Definition**” means the definition of ‘proprietary account’ set forth in US Code of Federal Regulations, Title 17, Regulation 1.3(y), as amended from time to time.

“**US Person**” has the meaning given to it in rules and regulations, or interpretive guidance, with a scope encompassing the Order of Exemption, as made or adopted by CFTC from time to time. At 25 September 2015 the applicable interpretive guidance is CFTC’s *Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations*, 78 Fed. Reg. 45,292, 45,316-17 dated 26 July 2013.

Explanatory Notes:

- (1) These limitations are included in the OTC Handbook to meet CFTC requirements in connection with the exemption of ASX Clear (Futures) from registration as a Derivatives Clearing Organisation as defined in the Commodity Exchange Act of the United States.
- (2) Paragraphs (a) and (c) do not prevent an OTC Participant or FCM that is a US Person from submitting an OTC Transaction for registration under OTC Rule 4.3 for a non-US Person, regardless of whether that non-US Person is affiliated or not.

Procedures for submission**(A) Procedures for submission – CPM Clients and OTC Affiliates**

For the purposes of OTC Rule 4.3, an OTC Participant of a CPM Client or OTC Affiliate (as applicable) will be taken to have consented to the registration of an OTC Transaction submitted by the CPM Client or OTC Affiliate (as applicable) to ASX Clear (Futures) if:

- (a) the transaction details of the OTC Transaction submitted to ASX Clear (Futures) include a Credit Token; or
- (b) the Consent Provider of the CPM Client or OTC Affiliate (as applicable) returns a Consent Message as soon as technologically practicable, but in any event within 10 minutes of receiving a Request for Consent.

Where the OTC Participant of an OTC Affiliate has not notified ASX Clear (Futures) of a Consent Provider or Credit Token Issuer in respect of that OTC Affiliate then, for the purposes of OTC Rule 4.3, an OTC Participant will be taken to have consented to the registration of an OTC Transaction submitted to ASX Clear (Futures) by the OTC Affiliate when the relevant OTC Transaction is reported to ASX Clear (Futures) by an Approved Trade Source System.

Consent is irrevocable once given, or taken to have been given, by an OTC Participant. ASX Clear (Futures) is entitled to rely upon a Credit Token or Consent Message without making any verification or investigation.

An OTC Transaction submitted by a CPM Client to ASX Clear (Futures) in respect of which consent is not given, or taken to be given, in accordance with the OTC Handbook will be rejected by ASX Clear (Futures).

Definitions:

“Consent Message” means, in respect of an OTC Transaction submitted by a CPM Client or OTC Affiliate (as applicable) to ASX Clear (Futures) for registration, a message from the Consent Provider of the CPM Client or OTC Affiliate (as applicable) to ASX Clear (Futures) in a form acceptable to ASX Clear (Futures) consenting to the registration of the OTC Transaction.

“Credit Token” means, in respect of an OTC Transaction submitted by a CPM Client or OTC Affiliate (as applicable) to ASX Clear (Futures) for registration, a communication or record of a communication by the Credit Token Issuer of the CPM Client or OTC Affiliate (as applicable) which is included in the transaction details submitted to ASX Clear (Futures) in a form acceptable to ASX Clear (Futures) to signify that the OTC Transaction is within credit limits for the CPM Client or OTC Affiliate (as applicable) set by its OTC Participant.

“Credit Token Issuer” means, in respect of a CPM Client or OTC Affiliate (as applicable), the entity authorised to issue Credit Tokens in respect of OTC Transactions executed by or on behalf of the CPM Client or OTC Affiliate (as applicable). This entity may be the OTC Participant of the CPM Client or OTC Affiliate (as applicable) or a credit hub nominated by the OTC

Participant of the CPM Client or OTC Affiliate (as applicable), in either case as prior notified to ASX Clear (Futures).

“Request for Consent” means, in respect of an OTC Transaction submitted by a CPM Client or OTC Affiliate (as applicable) to ASX Clear (Futures) for registration, a message from ASX Clear (Futures) to the Consent Provider of the CPM Client or OTC Affiliate seeking consent to the registration of the OTC Transaction.

“Consent Provider” means, in respect of a CPM Client or OTC Affiliate, the entity authorised to issue Consent Messages in respect of OTC Transactions executed by or on behalf of the CPM Client or OTC Affiliate (as applicable). This entity may be the OTC Participant of the CPM Client or OTC Affiliate (as applicable) or a credit hub nominated by the OTC Participant of the CPM Client or OTC Affiliate (as applicable), in either case as prior notified to ASX Clear (Futures).

(B) *General procedures for submission*

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

ASX Clear (Futures) may only register an OTC Transaction to which one or more CPM Clients or OTC Affiliates are parties if consent is obtained, or is taken to have been obtained, from the relevant OTC Participants.

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

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

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

Submission for registration of OTC Transactions can only occur at the times and days set out in Paragraph 1.6 above.

Amended 25/09/15, 27/02/17, 29/05/17, 18/06/18

4.5 Acceptance for registration

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

(a) **Trade Date**

If the trade date of the OTC Transaction is more than four Business Days prior to the date of initial submission for registration of the OTC Transaction in a form that satisfies the OTC Eligibility Criteria then the OTC Transaction must be submitted for backloading in accordance with OTC Rule 4.11 (Backloading).

(b) **OTC Eligibility Criteria**

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

(b1) **Data Repository reporting**

To be eligible for registration, an OTC Transaction that is required to be reported to a data repository under the law of any jurisdiction must be reported to Depository Trust and Clearing Corporation or such other data repository as ASX Clear (Futures) approves from time to time.

Explanatory Note:

ASX Clear (Futures) has a regulatory obligation to report the termination of OTC Transactions accepted for clearing to the data repository to which the OTC Transaction was originally reported. Accordingly, an OTC Transaction that has been reported to a data repository is eligible for registration only if ASX Clear (Futures) is capable of reporting to the data repository. Currently ASX Clear (Futures) has reporting capability to Depository Trust and Clearing Corporation (DTCC). However, ASX Clear (Futures) will consider expanding its reporting capability to include other data repositories on request by OTC Participants.

(c) **Limit checks**

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

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

There is no limit check applicable to OTC Transactions submitted for backloading in accordance with OTC Rule 4.11 (Backloading).

(d) **Deferral of acceptance**

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

This paragraph (d) does not apply to OTC Transactions submitted for backloading in accordance with OTC Rule 4.11 (Backloading).

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

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

Amended 11/02/14, 03/10/16, 27/02/17

4.6 **Creation of OTC Open Contracts**

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

Payments of amounts due under an OTC Open Contract on the next scheduled payment date after the date on which registration of the relevant OTC Transaction has taken place are to be effected in accordance with the OTC Terms for the entire

calculation period. This also applies if part of the calculation period has already elapsed at the day of registration. However, ASX Clear (Futures) may make a call for OTC Intra Day Margin in respect of an OTC Open Contract on the day of its registration.

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

4.11 Backloading

Following the agreement of particulars as required by OTC Rule 4.11 (Backloading) and submission of the OTC Transaction to be backloaded, the backloaded transactions are taken to have been submitted for registration by ASX Clear (Futures).

However, registration of any backloaded transaction is subject to:

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

The prescribed number of Business Days is four.

Amended 11/02/14, 27/02/17

4.12 Re-bilateralisation – [Deleted]

Amended 11/02/14 Deleted 07/04/14

4.13 Transfer of OTC Open Contracts

Except to the extent that the Client Protection Model Provisions apply, OTC Participants can effect the transfer of an OTC Open Contract only by each OTC Participant submitting a request for transfer in a form prescribed by ASX Clear (Futures) from time to time.

Amended 11/02/14, 07/04/14

4.14 Multilateral Compression

Conditions to participation in a Multilateral Compression Cycle

An OTC Participant may participate in a Multilateral Compression Cycle if the OTC Participant:

- (a) is a party to and in compliance with the Compression Documentation up to and including the time at which ASX Clear (Futures) effects the Multilateral Compression;
- (b) is not in Default; and
- (c) is authorised as an OTC Participant in respect of the relevant OTC Transaction Type.

Multilateral Compression Cycle

- (A) Initiating a Multilateral Compression Cycle

OTC Participants that are eligible to participate in the Multilateral Compression Cycle will be notified of the timing and procedure for the Multilateral Compression Cycle including, but not limited to, the process for nominating OTC Open Contracts for inclusion in the Multilateral Compression Cycle.

In relation to each Multilateral Compression Cycle, ASX Clear (Futures) will instruct the Approved Compression Service Provider in accordance with the Compression Documentation to:

- (a) generate an Unwind Proposal in accordance with the Compression Documentation; and
- (b) communicate the Unwind Proposal to each participating OTC Participant for acceptance in the manner set out in the Compression Documentation.

OTC Open Contracts that are held in:

- (a) a participating OTC Participant's House Clearing Account; or
- (b) an Individual Sub-Account within the participating OTC Participant's Client Clearing Account,

may be nominated for inclusion in a Multilateral Compression Cycle, as notified by ASX Clear (Futures) in relation to the cycle.

ASX Clear (Futures) reserves the right to determine in its sole discretion whether OTC Open Contracts nominated for inclusion in a Multilateral Compression Cycle may be included.

ASX Clear (Futures) may disclose details of a participating OTC Participant's House Clearing Account and Client Clearing Account (as applicable) to the Approved Compression Service Provider in order to facilitate the Multilateral Compression Cycle.

(B) Accepting an Unwind Proposal

Acceptance of an Unwind Proposal must be communicated in accordance with the Compression Documentation and such acceptance is irrevocable. Acceptance of the Unwind Proposal by all relevant parties as specified in the Compression Documentation is required before a Multilateral Compression Cycle can be effected.

Prior to effecting a Multilateral Compression, ASX Clear (Futures) may require an OTC Participant to provide additional OTC Initial Margin.

The acceptance of the Unwind Proposal by all relevant parties as specified in the Compression Documentation will not bind or require ASX Clear (Futures) to proceed with a Multilateral Compression. Prior to effecting a Multilateral Compression, ASX Clear (Futures) may in its sole discretion decide to reject the Unwind Proposal or to end the Multilateral Compression Cycle. In particular, but without limiting ASX Clear (Futures)' discretion, ASX Clear (Futures) may reject an Unwind Proposal if:

- (a) a participating OTC Participant is not eligible to participate in the relevant Multilateral Compression Cycle at or prior to the time at which ASX Clear (Futures) proposes to effect the Multilateral Compression; or
 - (b) a participating OTC Participant does not provide the additional OTC Initial Margin required by ASX Clear (Futures).
- (C) Effecting a Multilateral Compression

If an Unwind Proposal is accepted by ASX Clear (Futures) and all relevant parties as specified in the Compression Documentation, the resulting Multilateral Compression will take legal effect on the Unwind Date from the time notified to OTC Participants by ASX Clear (Futures) on the Unwind Date, such time to be no later than 4.00pm (Sydney time) on the Unwind Date.

Amended 11/02/14, 07/04/14, 06/07/20

4.15 Netting of OTC Open Contracts

All OTC Open Contracts of a given Product Type with the same terms and conditions (set out in Schedules 1 and 2 of the OTC Handbook) are economically equivalent and may be offset with each other within ASX Clear (Futures), subject to the provisions of the Rules.

The conditions for the netting of OTC Open Contracts in the same Client Sub-Account or within the House Clearing Account which have equal but offsetting terms (except for the Notional Amount (as defined in Schedule 2 (OTC Terms) of this OTC Handbook)) are:

- (a) the OTC Open Contracts must not have matured;
- (b) all additional payments (as referred to under the Approved Trade Source System) for those OTC Open Contracts as agreed between the parties to the OTC Open Contracts have been settled;
- (c) the OTC Participant must have the opposite contractual position under the OTC Open Contracts to be netted; and
- (d) the parties to the OTC Open Contracts must be identical (however, in respect of any OTC Open Contracts that are registered in the House Clearing Account and submitted for netting, any OTC Affiliate which is a party to one or more of those OTC Open Contracts is to be disregarded for this purpose).

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

Netting of OTC Open Contracts will be effected outside the times the OTC Clearing service is open for registration of OTC transactions as set out in Paragraph 1.6 as an end of day process.

An OTC Participant may make a standing request for netting of two or more OTC Open Contracts to occur automatically in respect of a Client Sub-Account where such OTC Open Contracts satisfy the conditions described above in paragraphs (a) to (d).

Introduced 11/02/14 Amended 07/04/14, 25/09/15, 15/08/16, 27/02/17

Explanatory Note:

The first paragraph of OTC Handbook 4.15 has been included in the OTC Handbook to meet CFTC requirements in connection with the exemption of ASX Clear (Futures) from registration as a Derivatives Clearing Organisation as defined in the Commodity Exchange Act of the United States.

5 ACCOUNTS AND MARGIN

5.2 Transfer of OTC Initial Margin

Pursuant to OTC Rule 5.2, ASX Clear (Futures) may require a Clearing Participant to deposit OTC Initial Margin or additional Initial Margins (AIMs) with ASX Clear (Futures) in accordance with the procedures published on www.asx.com.au, as amended from time to time, or as otherwise advised by ASX Clear (Futures). The published procedures include the currencies, valuation haircuts and timing for providing OTC Initial Margin and AIMs as an amount of money, as amended from time to time.

Amended 11/02/14, 27/11/17

5.3 Securities as OTC Initial Margin

Subject to approval and on such conditions as ASX Clear (Futures) may determine from time to time, the securities that may be provided in respect of OTC Initial Margin and additional Initial Margins (AIMs) are as published on www.asx.com.au, as amended from time to time.

ASX Clear (Futures)' nomination of eligible collateral is subject to the requirements of the Reserve Bank of Australia's Financial Stability Standards for Central Counterparties (FSS) that require accepted collateral to have low credit, liquidity and market risks and Central Counterparties to set and enforce appropriately conservative haircuts and concentration limits (refer to FSS, Standard 5)

Amended 11/02/14

5.5 Portfolio Margining

5.5.1 Eligible Open Contracts

Upon request, ASX Clear (Futures) may take into account certain Open Contracts (other than OTC Open Contracts) registered in:

- (a) the OTC Participant's House Clearing Account; or
- (b) the OTC Participant's Client Clearing Account provided that the Open Contracts are held in an Individual Sub-Account of the same CPM Client and, are in respect of the same Nominated Person, if applicable,

(referred to as **Eligible Open Contracts**) in determining the amount of OTC Initial Margin required to be transferred by an OTC Participant in respect of OTC Open Contracts held in that Clearing Account.

Eligible Open Contracts are as follows:

Eligible Futures Contract Code	Contract Name
IB	ASX 30 Day Interbank Cash Rate Futures
IR	ASX 90 Day Bank Accepted Bill Futures
YT	ASX 3 Year Treasury Bond Futures
VT	ASX 5 Year Treasury Bond Futures
XT	ASX 10 Year Treasury Bond Futures
LT	ASX 20 Year Treasury Bond Futures

Amended 11/02/14, 08/02/16, 25/07/16, 12/04/21

5.5.2 Margin Optimisation Service

The margin optimisation service of ASX Clear (Futures) (the **Margin Optimisation Service**) automatically selects an OTC Participant's Eligible Open Contracts for portfolio margining. OTC Participants may use the Margin Optimisation Service, subject to the following:

- (a) OTC Participants can request ASX Clear (Futures) to activate the Margin Optimisation Service for their House Clearing Account and/or eligible Client Clearing Account by referencing the relevant Individual Sub-account of the CPM Client in writing to ASXClearFut@asx.com.au;
- (b) the Margin Optimisation Service will be activated on the Business Day immediately following the date of receipt of the written request referred to in (a) above, provided such request is received by 4pm;
- (c) the Margin Optimisation Service determines algorithmically the selection of Eligible Open Contracts for portfolio margining. Eligible Open Contracts are selected by the Margin Optimisation Service for portfolio margining only where OTC Participant's;

- (i) total Initial Margin for ASX Clear (Futures) is reduced; and
- (ii) OTC Initial Margin for ASX Clear (Futures) is reduced;
- (d) the Margin Optimisation Service runs once per Business Day, after 6pm, Sydney time;
- (e) ASX Clear (Futures) will provide OTC Participants with an “OTC Margins and Positions Listing Report” identifying the selections of Eligible Open Contracts made by the Margin Optimisation Service for both House Clearing Accounts and Client Clearing Accounts.

Introduced 08/02/16

5.5.3 Manual service

- (a) OTC Participants may request ASX Clear (Futures) to make manual selection of Eligible Open Contracts by request in writing to ASXClearFut@asx.com.au;
- (b) Manual selection will be made on the Business Day immediately following the date of receipt of the written request referred to in (a) above, provided such request is received by 4pm.

Introduced 08/02/16

5.5.4 General Conditions

Portfolio margining is subject to the following general conditions:

- (a) the timing of allocations of Eligible Open Contracts for portfolio margining is as determined by ASX Clear (Futures) from time to time and is not affected by, nor does it affect, the timing of allocations to Clearing Accounts. Allocations in the relevant Clearing Accounts are complete by 7:00pm on a daily basis;
- (b) ASX Clear (Futures) will notify OTC Participants of any determinations with respect to Eligible Open Contracts; and
- (c) despite clause (b) above, ASX Clear (Futures) may determine that a particular Eligible Open Contract is ineligible for determining the amount of OTC Initial Margin required to be transferred, in which case the Clearing Participant will be notified of the exception by a report. In addition, each Eligible Open Contract deemed ineligible by ASX Clear (Futures) will be margined under the CME SPAN methodology for ASX Clear (Futures).
- (d) once requested to select Eligible Open Contracts for portfolio margining either automatically via the Margin Optimisation Service or manually, ASX Clear (Futures) will continue to make daily selections until further written notice by the OTC Participant in the manner described in Section 5.5.2(a) or Section 5.5.3(a) as applicable.

Amended 11/02/14, 08/02/16

5.6 OTC Intra day Margin and OTC Extra Margin

Pursuant to OTC Rule 5.6, ASX Clear (Futures) may require a Clearing Participant to deposit OTC Intra day Margin or OTC Extra Margin with ASX Clear (Futures) in accordance with the procedures published on www.asx.com.au, as amended from time to time, or as otherwise advised by ASX Clear (Futures). ASX Clear (Futures) is entitled to make additional margin calls for payment on the same day whenever ASX Clear (Futures) considers it necessary. Each OTC Intra day Margin call or OTC Extra Margin call must be met by the OTC Participant within one hour of it being made or such other period of time as notified by ASX Clear (Futures) in writing.

If ASX Clear (Futures) determines that the aggregate value of the OTC Initial Margin actually delivered to ASX Clear (Futures) by an OTC Participant is insufficient to provide the cover required in order to fulfil their total margin requirement also taking into account all OTC Transactions which are expected to be registered during the course of the day, ASX Clear (Futures) may require the OTC Participant to provide additional OTC Initial Margin.

Amended 11/02/14, 03/10/16, 27/11/17

5.7 OTC Daily Closing Value

ASX Clear (Futures) will in general use its own determination of yield curves to calculate the net present value of each OTC Open Contract. This calculation will be conducted at least once on each Business Day in the determination of the OTC Daily Closing Value.

ASX Clear (Futures) will determine, at its sole discretion, appropriate instruments, maturity points and market prices required for the determination of zero coupon rates, discount factors and implied forward curves rates, as well as any other factors it deems necessary to produce a net present value for any OTC Open Contract or OTC Daily Closing Value.

The yield curves selected will use market prices and rates taken at a point in time determined by ASX at its discretion to reflect local market fair value to OTC Participants.

These calculations by ASX Clear (Futures) are conclusive and final.

Amended 11/02/14

5.8 OTC Daily Variation Margin

ASX Clear (Futures) will determine the OTC Daily Variation Margin in respect of OTC Open Contracts of an OTC Participant following the calculation of the OTC Daily Closing Values for those OTC Open Contracts. The OTC Daily Variation Margin is determined by reference to the change in the OTC Daily Closing Value of the OTC Open Contract since the previous Business Day.

OTC Daily Variation Margin must be paid in Australian dollars or New Zealand dollars (as applicable), or such other currency that ASX Clear (Futures) determines is acceptable in its discretion from time to time.

All OTC Daily Variation Margin must be paid to ASX Clear (Futures) by 11:00am (Sydney time) on the Business Day following ASX Clear (Futures)' request for the OTC Daily Variation Margin. In addition, for OTC Open Contracts denominated in Australian dollars instructions for the payment of OTC Daily Variation Margin must be matched by 10.30am (Sydney time) in Austraclear. All payments by ASX Clear (Futures) in connection with OTC Daily Variation Margin (including any Price Alignment Amount) are to be made to accounts located in Australia (for OTC Open Contracts denominated in Australian dollars) or New Zealand (for OTC Open Contracts denominated in New Zealand dollars), unless otherwise agreed by ASX Clear (Futures).

Unless otherwise agreed by ASX Clear (Futures):

- (a) each OTC Participant which is a non-Australian resident for tax purposes represents and warrants that each payment received or to be received by it in connection with OTC Daily Variation Margin (including any Price Alignment Amount) will be effectively connected with its conduct of a trade or business in Australia carried on at or through a permanent establishment in Australia; and

- (b) each OTC Participant which is an Australian resident for tax purposes represents and warrants that it does not derive the payments in connection with OTC Daily Variation Margin (including any Price Alignment Amount) in part or in whole in carrying on business in a country outside Australia at or through a permanent establishment of itself in that country; and
- (c) each OTC Participant represents and warrants that each payment received or to be received by an intermediary on behalf of the OTC Participant (for example, a related or unrelated clearing bank) in connection with OTC Daily Variation Margin (including any Price Alignment Amount) will be paid to, or credited into, an account of the OTC Participant,

and this applies despite the location of any branch of any OTC Participant or any OTC Affiliate through which any particular OTC Transaction is entered into.

Amended 11/02/14, 07/07/14, 15/08/16, 27/11/17, 24/09/18, 28/10/19

Explanatory Note:

An OTC Participant's failure to notify ASX Clear (Futures) in writing that the OTC Participant cannot make the above representations may trigger the indemnity in Futures Rule 4.15A.

5.9 Price Alignment Amount

ASX Clear (Futures) will charge an amount based on its calculation of the cumulative net OTC Daily Variation Margin in respect of all OTC Open Contracts (referred to as **Cumulative Variation Margin**) paid to an OTC Participant and pay an amount based on Cumulative Variation Margin received from that OTC Participant. The amount (PAA) is calculated and payable for each currency on each Business Day with respect to each OTC Open Contract in accordance with the following formula:

$$PAA = MtM_T \times Rate_T \times D/365$$

where:

"**MtM_T**" means the amount of Cumulative Variation Margin received from, or payable by, the OTC Participant, as applicable, on the close of business of the day of calculation.

"**Rate_T**" means such rate published on Reuters page RBA30 (or such other successor page(s) or rates as published by the Reserve Bank of Australia) and determined by ASX Clear (Futures) on the close of business of the day of calculation.

"**D**" means the actual number of days from (but excluding) the last day on which the PAA is calculated to (and including) the day of calculation.

Amended 11/02/14, 28/10/19

6 DEFAULT

6.5 Terminable Open Contracts

ASX Clear (Futures) notifies each OTC Participant that any Open Contracts which have been taken into account in determining the amount of OTC Initial Margin required to be transferred by an OTC Participant pursuant to OTC Rule 5.5 (Portfolio Margining) may, at ASX Clear (Futures)' discretion, be Terminated pursuant to OTC Rule 6.6 (Termination and Terminated Open Contracts), and in such circumstances, will be Terminable Open Contracts.

Introduced 07/07/14

6.8 Allocation of Loss following default management process

Schedule 6 to this Handbook sets out a worked example of how Losses are allocated following the Default Management Process.

Introduced 11/02/14

Schedule 1 – OTC Eligibility Criteria

An OTC Transaction is eligible to be registered by ASX Clear (Futures) if it satisfies the eligibility criteria contained in this schedule. However, there are other conditions in the OTC Rules and this OTC Handbook for the registration of an OTC Transaction which also apply, including that an OTC Participant is, or is taken to be (in accordance with the OTC Rules), a party to the OTC Transaction, and that the required matched information in respect of that OTC Transaction has been submitted to and accepted by ASX Clear (Futures).

The eligibility criteria for an OTC Transaction are set out in this schedule separately with respect to each Approved Trade Source System through which the OTC Transaction may be submitted.

1 Introduction

This schedule defines the base clearing and trade eligibility rules and associated criteria that are to be applied within MarkitWire to OTC Transactions submitted, or taken to have been submitted, by OTC Participants for OTC Clearing.

Terms defined in the OTC Rules, OTC Handbook, Futures Rules, MarkitWire to ASX Clearing Eligibility Specification and the 2006 or 2021 ISDA Definitions (as applicable) as published by the International Swaps and Derivatives Association, Inc. as amended, varied or supplemented or restated from time to time, have the same meaning when used in this schedule.

The rules set out in this schedule constitute the “OTC Eligibility Criteria” applicable to an OTC Transaction which is submitted using MarkitWire as the Approved Trade Source System.

The rules outlined in this schedule do not include any additional rules or criteria that may be specified for or by individual MarkitWire participants, or subsequently added into MarkitWire’s clearing eligibility rules framework.

For technical reasons these trade eligibility rules and criteria may also be applied independently of the MarkitWire trade affirmation platform.

ASX Clear (Futures) will apply the OTC Eligibility Criteria without discriminating between OTC Transactions that were executed bilaterally and OTC Transactions that were executed on or subject to the rules of an unaffiliated electronic matching platform or trade execution facility.

Amended 07/04/14, 25/09/15, 30/11/15, 04/10/21

Explanatory Note:

The final paragraph of this provision 1 has been included in the OTC Handbook to meet CFTC requirements in connection with the exemption of ASX Clear (Futures) from registration as a Derivatives Clearing Organisation as defined in the Commodity Exchange Act of the United States.

2 Global Eligibility Rules

The rules in this section 2 (Global Eligibility Rules) apply to all OTC Transactions regardless of OTC Transaction Type.

2.1 Eligible OTC Transactions

The OTC Transaction must be a Product Type which is currently eligible for OTC Clearing. Currently the following Product Types are eligible for OTC Clearing:

- IRS
- OIS
- Single Currency Basis Swap

2.2 Product Type and Status

An OTC Transaction with one of the following Contract States in MarkitWire cannot be cleared:

- Cancelled
- Clearing (by definition as it is already within the clearing process)
- Novated
- Allocated
- Prime Brokered

In addition the following rules regarding the Product Type will be applied:

- A Single Sided MarkitWire trade cannot be cleared (identified by the Manual Confirm checkbox on the Processing template page being ticked).
- An internal trade (defined as one where both parties have the same BIC) cannot be cleared.
- A trade with the Exclude from Clearing checkbox ticked cannot be cleared.
- A trade with a step-up/down Notional Amount, fixed rate or spread schedule cannot be cleared.
- An allocation block trade cannot be cleared (identified by the Allocated checkbox on the Allocation template page being ticked).

Amended 11/02/14

2.3 Modification Effective Date and Novation Date

The following fields are not required when OTC Transactions are entered directly, or taken to have been entered, into Markitwire by both OTC Participants (for the purpose of being cleared via the OTC Clearing service). As such, these fields can be disregarded when submitting OTC Transactions via the OTC Clearing service:

- Modification Effective Date
- Novation Date

Amended 30/11/15

3 IRS Specific Eligibility Rules

3.1 Product Types

Vanilla Interest Rate Swap – fixed rate leg versus floating rate leg.

3.2 Structure

Single Currency

3.3 Currencies and Floating Rate Indices

The following Currencies and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-BBR-BBSW ¹ AUD-BBSW ²
NZD	NZD-BBR-FRA ³ NZD-BKBM FRA ⁴

Amended 27/11/17, 04/10/21

3.4 Designated Maturity

The Designated Maturity of an OTC Transaction with a Floating Rate Index must be as specified in the following table:

Floating Rate Index	Designated Maturity
AUD-BBR-BBSW AUD-BBSW	1, 3 or 6 months
NZD-BBR-FRA NZD-BKBM FRA	3 months

Amended 07/07/14, 27/11/17, 04/10/21

3.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	ACT/360	ACT/360
	30/360	30/360
	30E/360	30E/360
	Actual/Actual.ICMA	ACT/ACT.ICMA

¹ This terminology reflects the ISDA 2006 Definitions and is referenced in the same way in other parts of this Schedule 1.

² This terminology reflects the ISDA 2021 Definitions and is referenced in the same way in other parts of this Schedule 1.

³ This terminology reflects the ISDA 2006 Definitions and is referenced in the same way in other parts of this Schedule 1.

⁴ This terminology reflects the ISDA 2021 Definitions and is referenced in the same way in other parts of this Schedule 1.

Currency	Day Count Fraction	Markit Wire/FpML Code
NZD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ICMA	ACT/ACT.ICMA

Amended 07/07/14, 03/10/16, 27/11/17, 27/06/22

3.6 Minimum Term

An OTC Transaction must have a Term of at least 29 calendar days.

Amended 07/07/14

3.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) greater than or equal to 3 Sydney Business Days.

3.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) as specified in the following table in respect of the Currency, Designated Maturity and Floating Rate Index.

Currency	Floating Rate Index	Designated Maturity	Maximum Residual Term
AUD	AUD-BBR-BBSW AUD-BBSW	6 months	(Spot – starting within 5 Business Days): Less than or equal to 11,342 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 11,342 calendar days
		3 months	(Spot – starting within 5 Business Days): Less than or equal to 11,342 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 11,342 calendar days
		1 month	(Spot – starting within 5 Business Days): Less than or equal to 3,677 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 3,677 calendar days
NZD	NZD-BBR-FRA NZD-BKBM FRA	3 months	(Spot – starting within 5 Business Days): Less than or equal to 5,502 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 5,502 calendar days

Amended 07/04/14, 07/07/14, 03/10/16, 27/11/17, 26/02/18, 04/10/21

3.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-BBR-BBSW AUD-BBSW	0	AUSY
NZD-BBR-FRA NZD-BKBM FRA	0	NZAU, NZWE

Amended 27/11/17, 04/10/21

3.10 Minimum First Fixing Rate

An OTC Transaction with a specified First Fixing Rate for a Floating Rate Index of less than or equal to zero percent cannot be cleared. An OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

3.11 Different First Fixing Rule

Where a Different First Fixing Rule is specified in MarkitWire as being applicable to an OTC Transaction, the following conditions must be satisfied for the OTC Transaction to be eligible for OTC Clearing:

- The First Fixing Days Offset must be between 0 and –10 days inclusive, as adjusted in accordance with the applicable Business Day Convention.
- The First Fixing Holiday Centres must be recognised by ASX Clear (Futures) (see Appendix A) and must, at a minimum, include the Fixing Holiday Centres specified in Section 3.9.

3.12 Ineligible Floating Rate Indices

An OTC Transaction with a Floating Rate Index not listed as supported under Sections 3.3, 4.3 or 5.3 cannot be cleared.

3.13 Non-Mutual Optional Early Termination

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) IRS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

3.14 Mandatory Early Termination

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) IRS template page containing the value 'Mandatory') cannot be cleared.

3.15 Period End Date Adjustments

An OTC Transaction with an unadjusted Termination Date (identified by either of the "Adj Final (Fixed)" or "Adj Final (Float)" checkboxes on the Holidays IRS template page being un-ticked) can be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either of the "Adjust Fixed Period End Dates" or "Adjust Float Period End Dates"

checkboxes on the Holidays IRS template page being un-ticked) can be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an “Accrual Period Adjustment” type that is not set to the same value for both legs can be cleared.

Amended 03/10/16

3.16 Payment Lag

An OTC Transaction with Payment Lag of more than 2 Business Days cannot be cleared.

3.17 Principal Currency Holiday Centres

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY
NZD	Auckland	NZAU
	Wellington	NZWE

Amended 27/11/17

3.18 Business Day Convention

An OTC Transaction that does not specify one of following Business Day Conventions cannot be cleared:

Business Day Convention	Markit Wire/FpML Code
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Fixed Rate Payer Payment Dates, the Fixed Rate Payer Period End Dates, the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

3.19 Minimum Notional

An OTC Transaction with a Notional Amount of less than one currency unit cannot be cleared.

Amended 07/04/14

3.20 Payment and Roll Holiday Centres

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared. An OTC Transaction where the Payment Holiday Centres do not include the relevant principal holiday centre associated with

the Currency cannot be cleared (see Section 3.17 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not supported by ASX cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

3.21 Fees (Additional Payments)

An OTC Transaction with more than two Additional Payments⁵ cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the same holiday centres for Additional Payments, Payment Dates and roll dates cannot be cleared.

An OTC Transaction which does not have the Business Day Convention on Additional Payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

3.22 Fixed and Float Start Date

An OTC Transaction with different start dates for each of the Fixed Start Date and Float Start Date can be cleared.

An OTC Transaction with a Floating Rate Option of AUD-BBR-BBSW or AUD-BBSW or NZD-BBR-FRA or NZD-BKBM FRA with different start dates for the Fixed Start Date and Float Start Date cannot have a difference between the Fixed Start Date and Float Start Date equal to or more than 366 calendar days.

Amended 03/10/16, 27/11/17, 04/10/21

3.23 Floating Leg Calculation

An OTC Transaction with Reset In Arrears specified cannot be cleared.

3.24 Zero Coupon IRS

To be eligible for OTC Clearing, an OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW or AUD-BBSW with a fixed leg zero coupon structure (identified by the “Zero Coupon (Fixed)” checkbox on the IRS template page being ticked) must have a Maximum Residual Term of less than or equal to 1,122 calendar days.

To be eligible for OTC Clearing, an OTC Transaction with a Floating Rate Index of NZD-BBR-FRA or NZD-BKBM FRA with a fixed leg zero coupon structure (identified by the “Zero Coupon (Fixed)” checkbox on the IRS template page being ticked) must have a Maximum Residual Term of less than or equal to 757 calendar days.

Amended 27/11/17, 26/02/18, 04/10/21

⁵ An additional payment under the terms of this section means any payment not part of the normal coupon cycle.

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3.25 Adjusted Fixed (or Float) Starts

An OTC Transaction with different value for both the Adjust Fixed Start Date and Adjust Float Start Date cannot be cleared.

An OTC Transaction with a different Adjust Fixed Start Date and Adjust Float Start Date cannot have a difference between the Adjust Fixed Start Date and Adjust Float Start Date equal to or more than 366 calendar days.

Amended 03/10/16

3.26 Compounding Method

An OTC Transaction with a Compounding Method of 'Spread Exclusive' can be cleared.

Amended 17/10/16

3.27 Leg Compliance

An OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW or AUD-BBSW or NZD-BBR-FRA or NZD-BKBM FRA which does not use one of the following Leg combinations cannot be cleared:

- Fixed/Float
- Float/Fixed

Amended 27/11/17, 04/10/21

3.28 Payment Frequency

An OTC Transaction which does not use one of the following Payment Frequencies cannot be cleared:

- Monthly
- Quarterly
- Semi-Annually
- Annually (Fixed Payment Frequency only)
- At maturity (Fixed Payment Frequency only)

Amended 11/02/14, 07/07/14

3.29 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may occur at the start or end or both start and end of the OTC Transaction. An OTC Transaction with a Stub Period at the start of the OTC Transaction greater than or equal to 2 Calculation Periods cannot be cleared.

An OTC Transaction with a Designated Maturity of 1 or 3 months and a Stub Period at the end of the OTC Transaction exceeding 2 Calculation Periods cannot be cleared. An OTC Transaction with a Designated Maturity of 6 months and a Stub Period at the end of the OTC Transaction exceeding 1 Calculation Period cannot be cleared.

Application of Linear Interpolation for Stub Periods is only permitted between acceptable Stub Interpolation Floating Rate Index Tenors (currently 1m, 2m, 3m, 4m, 5m, 6m). OTC Transactions with Stub Period lengths outside of this tenor range, may elect to use "First Fixing Rate" or a Floating Rate Index without interpolation to be eligible for OTC Clearing. An OTC Transaction with Linear

Interpolation for Stub Period lengths of less than 1 month (or greater than 6m), cannot be cleared.

Amended 03/10/16

3.30 Eligible Start Dates

An OTC Transaction with a Start Date exceeding the submission date by more than the days specified in the following table cannot be cleared:

Currency	Transaction Type	Designated Maturity	Days
AUD	Spot		5 Business Days
	Forward Starting	1 month	3,677 calendar days
	Forward Starting	3 months	11,342 calendar days
	Forward Starting	6 months	11,342 calendar days
NZD	Spot		5 Business Days
	Forward Starting	3 months	5,502 calendar days

Amended 07/04/14, 07/07/14, 03/10/16, 27/11/17, 26/02/18

3.31 Date Roll Convention

An OTC Transaction that does not specify one of the following Date Roll Conventions cannot be cleared:

Currency	Date Roll Convention
AUD	Standard
	IMM AUD [IMM (AUD) in MarkitWire]
NZD	Standard
	IMM AUD [IMM (AUD) in MarkitWire]

Introduced 27/06/22

4 OIS Specific Eligibility Rules

4.1 Product Types

Vanilla Interest Rate Swap – fixed rate leg versus floating rate leg.

4.2 Structure

Single Currency

4.3 Currencies and Floating Rate Indices

The following Currency and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-AONIA-OIS-COMPOUND ⁶ AUD-AONIA-OIS Compound ⁷
NZD	NZD-NZIONA-OIS-COMPOUND ⁸ NZD-NZIONA-OIS Compound ⁹

Amended 27/11/17, 04/10/21

4.4 Designated Maturity

The Designated Maturity of the OTC Transaction with a Floating Rate Index of AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound or NZD-NZIONA-OIS-COMPOUND or NZD-NZIONA-OIS Compound, must be daily.

Amended 27/11/17, 04/10/21

4.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	Actual/Actual.ICMA	ACT/ACT.ICMA
NZD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ICMA	ACT/ACT.ICMA

Amended 07/07/14, 27/11/17, 27/06/22

4.6 Minimum Term

An OTC Transaction must have a Term of at least 3 Sydney Business Days.

4.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) greater than or equal to 3 Sydney Business Days.

4.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including the Termination Date) as specified in the following table in respect of the Currency and Floating Rate Index:

⁶ This terminology reflects the ISDA 2006 Definitions and is referenced in the same way in other parts of this Schedule 1.

⁷ This terminology reflects the ISDA 2021 Definitions and is referenced in the same way in other parts of this Schedule 1.

⁸ This terminology reflects the ISDA 2006 Definitions and is referenced in the same way in other parts of this Schedule 1.

⁹ This terminology reflects the ISDA 2021 Definitions and is referenced in the same way in other parts of this Schedule 1.

Currency	Floating Rate Index	Maximum Remaining Term
AUD	AUD-AONIA-OIS-COMPOUND AUD-AONIA-OIS Compound	Less than or equal to 1,122 calendar days
NZD	NZD-NZIONA-OIS-COMPOUND NZD-NZIONA-OIS Compound	Less than or equal to 757 calendar days

Amended 27/11/17, 04/10/21

4.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-AONIA-OIS-COMPOUND AUD-AONIA-OIS Compound	0	AUSY
NZD-NZIONA-OIS-COMPOUND NZD-NZIONA-OIS Compound	0	NZAU, NZWE

Amended 27/11/17, 04/10/21

4.10 Minimum First Fixing Rate

An OTC Transaction with a specified First Fixing Rate for a Floating Rate Index less than or equal to zero percent cannot be cleared. An OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

4.11 Ineligible Floating Rate Indices

An OTC Transaction with a Floating Rate Index not listed as supported under Sections 3.3, 4.3 or 5.3 cannot be cleared.

4.12 Non-Mutual Optional Early Termination

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) OIS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

4.13 Mandatory Early Termination

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) OIS template page containing the value 'Mandatory') cannot be cleared.

4.14 Period End Date Adjustments

An OTC Transaction with an unadjusted Termination Date (identified by either of the "Adj Final (Fixed)" or "Adj Final (Float)" checkboxes on the Holidays OIS template page being un-ticked) cannot be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either of the "Adjust Fixed Period End Dates" or "Adjust Float Period End Dates" checkboxes on the Holidays OIS template page being un-ticked) cannot be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an "Accrual Period Adjustment" type that is not set to the same value for both legs cannot be cleared.

4.15 Payment Lag

An OTC Transaction cannot be cleared where it has a Payment Lag of:

- less than one Business Day; or
- more than two Business Days.

Amended 07/07/14

4.16 Principal Currency Holiday Centres

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY
NZD	Auckland	NZAU
	Wellington	NZWE

Amended 27/11/17

4.17 Business Day Convention

An OTC Transaction that does not specify one of the following Business Day Conventions cannot be cleared:

Business Day Convention	Markit Wire/FpML Code
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Fixed Rate Payer Payment Dates, the Fixed Rate Payer Period End Dates, the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

Amended 11/02/14

4.18 Minimum Notional

An OTC Transaction with a Notional Amount of less than one currency unit cannot be cleared.

Amended 07/04/14

4.19 Payment and Roll Holiday Centres

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared.

An OTC Transaction where the Payment Holiday Centres do not include the principal holiday centre associated with the Currency cannot be cleared (see Section 4.16 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not recognised by ASX cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

4.20 Fees (Additional Payments)

An OTC Transaction with more than two Additional Payments¹⁰ cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the Business Day Convention on additional payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction which does not have the same holiday centres for Additional Payments, Payment Dates and roll dates cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

4.21 Fixed and Float Start Date

An OTC Transaction with different start dates for each of the Fixed Start Date and the Float Start Date cannot be cleared.

4.22 Zero Coupon OIS

To be eligible for OTC Clearing, an OTC Transaction with a Floating Rate Option of AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound, with a fixed leg or floating leg zero coupon structure must have a Maximum Residual Term of less than or equal to 1,122 calendar days.

A Zero Coupon OIS OTC Transaction with a Floating Rate Option of AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound, with a Start Date exceeding the submission date by more than 1,122 calendar days cannot be cleared.

To be eligible for OTC Clearing, an OTC Transaction with a Floating Rate Option of NZD-NZIONA-OIS-COMPOUND or NZD-NZIONA-OIS Compound, with a fixed leg or floating leg zero coupon structure must have a Maximum Residual Term of less than or equal to 757 calendar days.

A Zero Coupon OIS OTC Transaction with a Floating Rate Option of NZD-NZIONA-OIS-COMPOUND or NZD-NZIONA-OIS Compound, with a Start Date exceeding the submission date by more than 757 calendar days cannot be cleared.

Amended 07/04/14, 07/07/14, 03/10/16, 27/11/17, 04/10/21

¹⁰ An additional payment under the terms of this section means any payment not part of the normal coupon cycle.

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4.23 Adjusted Fixed (or Float) Starts

An OTC Transaction with a different value for both the Adjust Fixed Start Date and Adjust Float Start Date cannot be cleared.

4.24 Leg Compliance

An OTC Transaction with a Floating Rate Option of AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound or NZD-NZIONA-OIS-COMPOUND or NZD-NZIONA-OIS Compound which does not use one of the following Leg combinations cannot be cleared:

- Fixed/Float
- Float/Fixed

Amended 27/11/17, 04/10/21

4.25 Payment Frequency

An OTC Transaction which does not use one of the following Payment Frequencies cannot be cleared:

- Monthly
- Quarterly
- Semi-Annually
- Annually
- At maturity

Amended 11/02/14, 17/10/16

4.26 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may only occur at the start or end of the OTC Transaction. An OTC Transaction with Stub Periods at both the start and end of the transaction is subject to rejection by ASX Clear (Futures) in its discretion.

An OTC Transaction with a Payment Frequency of 1, 3 or 6 months and a stub period at the start of the transaction exceeding 1 calculation period cannot be cleared. An OTC Transaction with an annual payment frequency and a Stub Period at the start of the OTC Transaction exceeding 366 Business Days cannot be cleared.

An OTC Transaction with a Stub Period at the end of the OTC Transaction exceeding 0 Business Days cannot be cleared.

Amended 17/10/16

4.27 Eligible Start Dates

An OTC Transaction Floating Rate Option of AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound with a Start Date exceeding the submission date by more than 1,122 calendar days cannot be cleared.

An OTC Transaction with a Floating Rate Option of NZD-NZIONA-OIS-COMPOUND or NZD-NZIONA-OIS Compound, with a Start Date exceeding the submission date by more than 757 calendar days cannot be cleared.

Amended 07/04/14, 03/10/16, 27/11/17, 04/10/21

4.28 Date Roll Convention

An OTC Transaction that does not specify one of the following Date Roll Conventions cannot be cleared:

Currency	Date Roll Convention
AUD	Standard
	IMM AUD [IMM (AUD) in MarkitWire]
NZD	Standard
	IMM AUD [IMM (AUD) in MarkitWire]

Introduced 27/06/22

5 Basis-Swap Specific Eligibility Rules

5.1 Product Types

Vanilla Basis Swap – float rate leg versus floating rate leg within a single eligible currency.

5.2 Structure

Single Currency

5.3 Currencies and Floating Rate Indices

The following Currency and Floating Rate Indices are supported for OTC Clearing through ASX Clear (Futures):

Currency	Floating Rate Index
AUD	AUD-BBR-BBSW AUD-BBSW
AUD	AUD-AONIA-OIS-COMPOUND AUD-AONIA-OIS Compound

Amended 03/10/16, 04/10/21

5.4 Designated Maturity

The Designated Maturity of an OTC Transaction with a Floating Rate Index must be as specified in the following table:

Floating Rate Index	Designated Maturity
AUD-AONIA-OIS-COMPOUND AUD-AONIA-OIS Compound	Daily
AUD-BBR-BBSW AUD-BBSW	1, 3 or 6 months

Amended 07/07/14, 03/10/16, 27/11/17, 04/10/21

5.5 Day Count Fraction

The Day Count Fraction of the OTC Transaction must be one of those specified in the following table:

Currency	Day Count Fraction	Markit Wire/FpML Code
AUD	Actual/365 (Fixed)	ACT/365.FIXED
	Actual/Actual.ISDA	ACT/ACT.ISDA
	ACT/360	ACT/360
	Actual/Actual.ICMA	ACT/ACT.ICMA

Amended 07/07/14, 03/10/16, 27/06/22

5.6 Minimum Term

An OTC Transaction must have a Term of at least 29 calendar days.

Amended 07/07/14

5.7 Minimum Residual Term

An OTC Transaction must have a Minimum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) greater than or equal to 3 Sydney Business Days.

5.8 Maximum Residual Term

An OTC Transaction must have a Maximum Residual Term (as calculated from, and including, the date the OTC Transaction is submitted for OTC Clearing to, and including, the Termination Date) as specified in the following table in respect of the Currency, Designated Maturity and Floating Rate Index:

Currency	Floating Rate Index	Designated Maturity	Maximum Residual Term
AUD	AUD-BBR-BBSW AUD-BBSW	6 months	(Spot – starting within 5 Business Days): Less than or equal to 11,342 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 11,342 calendar days
		3 months	(Spot – starting within 5 Business Days): Less than or equal to 11,342 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 11,342 calendar days
		1 month	(Spot – starting within 5 Business Days): Less than or equal to 3,677 calendar days
			(Forward starting – starting greater than 5 Business Days): Less than or equal to 3,677 calendar days

	AUD-AONIA-OIS-COMPOUND	1 Day	(Spot – starting within 5 Business Days): Less than or equal to 3,677 calendar days
	AUD-AONIA-OIS Compound		(Forward Starting – starting greater than 5 Business Days): Less than or equal to 3,677 calendar days

- Note: Where an OTC Transaction specifies a different Designated Maturity for each leg, the Maximum Residual Term will be set based on the lower of the two Designated Maturities.

Amended 07/04/14, 07/07/14, 03/10/16, 04/10/21

5.9 Fixing Days Offset and Fixing Holiday Centres

An OTC Transaction must have only the following Fixing Days Offset and Fixing Holiday Centres for a given Floating Rate Index to be eligible for OTC Clearing:

Floating Rate Index	Fixing Days Offset	Fixing Holiday Centre
AUD-BBR-BBSW AUD-BBSW	0	AUSY

Amended 04/10/21

5.10 Minimum First Fixing Rate

An OTC Transaction with a First Fixing Rate for a Floating Rate Index less than or equal to zero percent cannot be cleared. Note that an OTC Transaction where the First Fixing Rate is not specified is eligible for OTC Clearing.

5.11 Different First Fixing Rule

Where a Different First Fixing Rule is specified in MarkitWire as being applicable to an OTC Transaction the following conditions must be satisfied for the OTC Transaction to be eligible for OTC Clearing:

- The First Fixing Days Offset must be between 0 and –10 days inclusive as adjusted in accordance with the applicable Business Day Convention.
- The First Fixing Holiday Centres must be recognised by ASX Clear (Futures) (see Appendix A) and must, at a minimum, include the Fixing Holiday Centre specified in Section 5.9 above.

5.12 Ineligible Floating Rate Indices

An OTC Transaction with a Floating Rate Index not listed in Sections 3.3, 4.3 or 5.3 as supported cannot be cleared.

5.13 Non-Mutual Optional Early Termination

An OTC Transaction with Optional Early Termination that is not a mutual put (identified by the field labelled 'Option' on the Break (2) IRS template page containing either the value 'Optional – Unilateral My Option' or 'Optional – Unilateral Other Party Option') cannot be cleared.

5.14 Mandatory Early Termination

An OTC Transaction with Mandatory Early Termination (identified by the field labelled 'Option' on the Break (2) IRS template page containing the value 'Mandatory') cannot be cleared.

5.15 Period End Date Adjustments

An OTC Transaction with an unadjusted Termination Date (identified by either (or both) the Adj Final (Fixed) or Adj Final (Float) checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared.

An OTC Transaction with no adjustment to the Period End Dates (identified by either (or both) the Adjust Fixed Period End Dates or Adjust Float Period End Dates checkboxes on the Holidays IRS template page being un-ticked) cannot be cleared, unless such a setting is not facilitated by MarkitWire.

An OTC Transaction with an "Accrual Period Adjustment" type that is not set to the same value for both legs cannot be cleared.

5.16 Payment Lag

An OTC Transaction with Payment Lag of more than 2 Business Days cannot be cleared.

5.17 Principal Currency Holiday Centres

An OTC Transaction denominated in any supported Currency shown below and which does not specify the associated holiday centre(s) for purposes of determining Business Days for payments and interest calculations cannot be cleared. In addition, any or all of the ASX Supported Holiday Centres listed in Appendix A may also be specified.

Currency	Holiday Centre	Markit Wire/FpML Code
AUD	Sydney	AUSY

5.18 Business Day Convention

An OTC Transaction that does not specify one of the following Business Day Conventions cannot be cleared:

Business Day Convention	Markit Wire/FpML Code
Modified Following	MODF
Following	FOLL
Preceding	PREC

An OTC Transaction must apply a single Business Day Convention to each of: the Floating Rate Payer Payment Dates, the Floating Rate Payer Period End Dates, the Floating Rate Payer compounding dates, and the Termination Date.

Amended 11/02/14

5.19 Minimum Notional

An OTC Transaction with a Notional Amount less than one currency unit cannot be cleared.

Amended 07/04/14

5.20 Payment and Roll Holiday Centres

An OTC Transaction where the Payment Holiday Centres and Roll Holiday Centres are not the same cannot be cleared.

An OTC Transaction where the Payment Holiday Centres do not include the relevant principal holiday centre associated with the Currency cannot be cleared (see Section 5.17 for Principal Currency Holiday Centres).

An OTC Transaction where the Payment Holiday Centres include one or more centres not supported by ASX Clear (Futures) cannot be cleared (see Appendix A for ASX Supported Holiday Centres).

5.21 Fees (Additional Payments)

An OTC Transaction with more than two Additional Payments¹¹ cannot be cleared.

An OTC Transaction with an Additional Payment in a currency different to the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar does not include the principal holiday centre associated with the Currency cannot be cleared.

An OTC Transaction with an Additional Payment where the Additional Payment Holiday Calendar includes one or more holiday centres not supported by ASX Clear (Futures) (as described in Appendix A) cannot be cleared.

An OTC Transaction which does not have the Business Day Convention on Additional Payments, set to Modified Following (MODF) cannot be cleared.

An OTC Transaction which does not have the same holiday centres on Additional Payments, Payment Dates and roll dates cannot be cleared.

An OTC Transaction with an Additional Payment where the Payment Date is prior to the Effective Date or after the Termination Date cannot be cleared.

5.22 Float Start Date

An OTC Transaction with different start dates for each of the Float Start Dates cannot be cleared.

5.23 Floating Leg Calculation

An OTC Transaction with Reset In Arrears specified for a leg cannot be cleared.

An OTC Transaction with a Float Reset Frequency not equal to the Designated Maturity cannot be cleared.

5.24 Adjusted Starts

An OTC Transaction with a different value for both Adjust Float Start Dates cannot be cleared.

¹¹ An additional payment under the terms of this section means any payment not part of the normal coupon cycle.
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5.25 Compounding Method

An OTC Transaction which has a Compounding Method of 'Spread Exclusive' can be cleared.

Amended 11/02/14, 17/10/16

5.26 Leg Compliance

An OTC Transaction with a Floating Rate Index of AUD-BBR-BBSW or AUD-BBSW and which does not use one of the following Leg combinations cannot be cleared:

- Float/Float

Amended 04/10/21

5.27 Payment Frequency

An OTC Transaction which does not use one of the following Payment Frequencies cannot be cleared:

- Monthly
- Quarterly
- Semi-Annually
- Annually (AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound rate index only)
- At Maturity (AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound rate index only)

Amended 11/02/14, 07/07/14, 03/10/16, 17/10/16, 04/10/21

5.28 Stubs

Non-standard Calculation Periods (referred to as **Stub Periods**) may only occur at the start or end of the OTC Transaction. An OTC Transaction with Stub Periods at both the start and end of the transaction is subject to rejection by ASX Clear (Futures) in its discretion. An OTC Transaction with a Stub Period at the start of the OTC Transaction greater than or equal to 1 Calculation Period on an AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound index or 2 Calculation periods on a AUD-BBR-BBSW or AUD-BBSW index cannot be cleared.

An OTC Transaction with a AUD-AONIA-OIS-COMPOUND or AUD-AONIA-OIS Compound index and a Stub Period at the end of the OTC Transaction cannot be cleared. An OTC Transaction with an AUD-BBR-BBSW or AUD-BBSW Designated Maturity of 1 or 3 months and a Stub Period at the end of the OTC Transaction exceeding 2 Calculation Periods cannot be cleared. An OTC Transaction with an AU-BBR-BBSW or AU-BBSW Designated Maturity of 6 months and a Stub Period at the end of the OTC Transaction exceeding 1 Calculation Period cannot be cleared.

Application of Linear Interpolation for Stub Periods is only permitted between acceptable Stub Interpolation Floating Rate Index Tenors (currently 1m, 2m, 3m, 4m, 5m, 6m). OTC Transactions with Stub Period lengths outside of this tenor range, may elect to use "First Fixing Rate" or a Floating Rate Index without interpolation to be eligible for OTC Clearing. An OTC Transaction with Linear Interpolation for Stub Period lengths of less than 1 month (or greater than 6m), cannot be cleared.

Amended 03/10/16, 04/10/21

5.29 Eligible Start Dates

An OTC Transaction with a Start Date exceeding the submission date by more than the days specified in the following table cannot be cleared:

Currency	Transaction Type	Designated Maturity	Days
AUD	Spot		5 Business Days
	Forward Starting	1 day 1 month	3,677 calendar days
	Forward Starting	3 months	11,342 calendar days
	Forward Starting	6 months	11,342 calendar days

Amended 07/04/14, 07/07/14, 03/10/16, 27/11/17

5.30 Date Roll Convention

An OTC Transaction that does not specify one of the following Date Roll Conventions cannot be cleared:

Currency	Date Roll Convention
AUD	Standard
	IMM AUD [IMM (AUD) in MarkitWire]

Introduced 27/06/22

Appendix A: ASX Supported Holiday Centres

The following holiday centres are accepted by ASX. A MarkitWire trade that includes any other holiday centres than those listed below in the Payment, Roll, Additional Payment or Initial Fixing Holiday Centre fields cannot be cleared.

Holiday Centre	Markit Wire/FpML Code
Sydney	AUSY
Melbourne	AUME
New York	USNY
London	GBLO
Auckland	NZAU
Wellington	NZWE

Amended 27/11/17

Appendix B: Additional Trade Eligibility Criteria Applied Outside of MarkitWire – [Deleted]

Deleted 07/04/14

Schedule 2 – OTC Terms

The terms of an OTC Open Contract includes these OTC Terms. They are separated into 3 parts, Interpretation, Economic Terms and Standard Terms. These OTC Terms are applicable to calculate the amounts payable to, or by, ASX Clear (Futures) under each OTC Open Contract.

1 Interpretation

1.1 ISDA definitions

The 2021 ISDA Interest Rate Derivatives Definitions, including each Matrix if applicable and any successor matrix thereto, each as published by ISDA on its website¹² (referred to as the **2021 ISDA Definitions**), are incorporated into these OTC Terms.

Accordingly, terms defined in the 2021 ISDA Definitions have the same meaning when used in these OTC Terms and references to **Articles** means Articles in the ISDA 2021 Definitions.

References in the 2021 ISDA Definitions to a “Swap Transaction” are taken to be references to an “OTC Open Contract” for the purposes of these OTC Terms.

The 2021 ISDA Definitions apply to an OTC Open Contract despite the selection of any other definitions in the data transmitted in the submission of an OTC Transaction for registration.

Amended 04/10/21

1.2 Amendments

The latest version of the 2021 ISDA Definitions is incorporated into these OTC Terms in respect of each OTC Open Contract which has a Trade Date after the time that the relevant version is published, unless ASX Clear (Futures) notifies OTC Participants to the contrary.

Amended 04/10/21

1.3 Inconsistency

In the event of an inconsistency between the OTC Rules or the OTC Handbook and the 2021 ISDA Definitions, the OTC Rules or the OTC Handbook, as the case may be, prevails. None of the OTC Rules, OTC Handbook, 2021 ISDA Definitions, Economic Terms or Standard Terms prevail over the Recovery Rules.

In the event of any inconsistency between the Economic Terms and the Standard Terms, the Standard Terms prevail.

Amended 01/10/15, 04/10/21

¹² Refer to www.isda.org.

2 Economic Terms

2.1 Economic Terms

The economic terms of an OTC Open Contract (referred to as **Economic Terms**) are taken from the information submitted, or taken to be submitted, to ASX Clear (Futures) by the parties to the corresponding OTC Transaction.

Amended 30/11/15

2.2 Matched information

It is a condition to the registration that the particulars of a OTC Transaction presented to ASX Clear (Futures) must include matched information in respect of the Economic Terms, except that information in respect of 2.3(k)(vii) or (k)(viii) (not both).

2.3 OTC Transaction Type: Interest Rate Derivatives

The Economic Terms for interest rate derivatives comprise:

- (a) Notional Amount (see Article 4.4.2 for definition);
- (b) Currency (see Article 2.4 for definition);
- (c) Trade Date (see Article 3.1.1 for definition);
- (d) Effective Date (see Article 3.1.2 for definition);
- (e) Termination Date (see Article 3.1.3 for definition);
- (f) Initial Exchange (if applicable):
 - (i) Initial Exchange Amount payer;
 - (ii) Initial Exchange Amount (see Article 4.1.2 for definition);
 - (iii) Initial Exchange Date (see Article 3.1.5 for definition);
- (g) Interim Exchange or Periodic Exchange (if applicable):
 - (i) Interim Exchange Amount payer;
 - (ii) Interim Exchange Amount (see Article 4.2.2 for definition);
 - (iii) Interim Exchange Date (see Article 3.1.6 for definition);
- (h) Final Exchange (if applicable):
 - (i) Final Exchange Amount payer;
 - (ii) Final Exchange Amount (see Article 4.3.2 for definition);
 - (iii) Final Exchange Date (see Article 3.1.7 for definition);
- (i) Business Days (see Article 2.1.1 for definition);
- (j) Business Day Convention (see Article 2.3 for definition);
- (k) Where Fixed Rate – Floating Rate Swap:
 - (i) Fixed Amount Payer (see Article 5.1.3 for definition);
 - (ii) Fixed Amount Payer Payment Dates;
 - (iii) Fixed Amount (see Article 5.1.2 for definition) [or Fixed Rate and Fixed Rate Day Count Fraction][or Fixed Amount Payer Schedule];
 - (iv) Floating Amount Payer (see Article 6.1.2 for definition);
 - (v) Floating Amount Payer Payment Dates;

- (vi) Floating Amount Payer compounding dates (if applicable);
 - (vii) Floating Amount (see Article 6.1.3 for definition);
 - (viii) Floating Rate Option (see Article 6.5.1 for definition);
 - (ix) Designated Maturity (see Article 6.7.4 for definition);
 - (x) Spread (see Article 6.5.4 for definition);
 - (xi) Reset Dates (see Article 6.5.5 for definition);
 - (xii) Floating Rate Day Count Fraction (see Article 6.5.3 for definition);
- (l) Where Floating Rate – Floating Rate Swap (“basis” swap):
- (i) Floating Amount Payer (No. 1) (see Article 6.1.2 for definition):
 - (A) Floating Amount Payer Payment Dates;
 - (B) Floating Amount Payer Compounding Dates (if applicable);
 - (C) Floating Rate Option (see Article 6.5.1 for definition);
 - (D) Designated Maturity (see Article 6.7.4 for definition);
 - (E) Spread (see Article 6.5.4 for definition);
 - (F) Reset Dates (see Article 6.5.5 for definition);
 - (G) Floating Rate Day Count Fraction (see Article 6.5.3 for definition).
 - (ii) Floating Amount Payer (No. 2) (see Article 6.1.2 for definition):
 - (A) Floating Amount Payer Payment Dates;
 - (B) Floating Amount Payer Compounding Dates (if applicable);
 - (C) Floating Rate Option (see Article 6.5.1 for definition);
 - (D) Designated Maturity (see Article 6.7.4 for definition);
 - (E) Spread (see Article 6.5.4 for definition);
 - (F) Reset Dates (see Article 6.5.5 for definition);
 - (G) Floating Rate Day Count Fraction (see Article 6.5.3 for definition).
- (m) Delayed Payment (see Article 3.1.9 for definition);
- (n) Application of FRN Convention (see Article 3.1.13 for definition);
- (o) IMM Dates (see Article 3.1.14 for definition).

Amended 11/02/14, 04/10/21, 27/06/22

2.4 Financial Centres

In addition to the Business Days for the financial centres specified in the Economic Terms, the Business Days for Sydney will apply to OTC Open Contracts.

3 Standard Terms

3.1 Standard Terms

The following terms are referred to as the Standard Terms of an OTC Open Contract.

3.2 Original documentation

Regardless of the documentation of an original OTC Transaction, these OTC Terms apply to all OTC Open Contracts.

3.3 Calculation Agent

The Calculation Agent (see Article 1.2.1 for definition) for each OTC Open Contract is ASX Clear (Futures).

Amended 04/10/21

3.4 Business Days

In addition to the Business Days for the Financial Centres specified in the Economic Terms, the Business Days specified in the calendar published by ASX Clear (Futures), from time to time, will apply to an OTC Open Contract.

3.5 Negative Interest Rates

The “Fixed Negative Interest Rate Method” as set out in Article 5.5 and the “Floating Negative Interest Rates” as set out in Article 6.8 apply to an OTC Open Contract.

Amended 04/10/21

3.6 Stamp Tax

Each OTC Participant will pay any Stamp Tax or duty levied or imposed upon it in respect of any OTC Open Contract to which it is a party and indemnifies ASX Clear (Futures) against any Stamp Tax or duty levied or imposed upon ASX Clear (Futures) in respect of any OTC Open Contract registered by ASX Clear (Futures) and to which that OTC Participant is a party.

3.7 Payments under an OTC Open Contract

Each OTC Participant agrees to make the payments due to be made by it under each of its OTC Open Contracts in accordance with the OTC Rules and the OTC Handbook. Payments under, and in respect of, an OTC Open Contract are calculated by ASX Clear (Futures) and are made by, or to, the OTC Participant in accordance with the provisions of the OTC Handbook and the OTC Rules.

3.8 OTC Rules and OTC Handbook

An OTC Open Contract is subject to the OTC Rules and the OTC Handbook, which forms part of its terms. In the event of any inconsistency between these OTC Open Contract Terms and the OTC Rules and the OTC Handbook, the OTC Rules and OTC Handbook (as applicable) prevails. None of the OTC Open Contract Terms, OTC Rules, OTC Handbook, OTC Rules or OTC Handbook prevail over the Recovery Rules.

Amended 01/10/15

3.9 Governing law

Each OTC Open Contract is governed by the law in force in New South Wales and the parties submit to the non-exclusive jurisdiction of the courts of New South Wales.

3.10 Permanent Cessation Fallbacks

Subject to the provisions of the OTC Rules or any specific actions determined by ASX Clear (Futures) in its sole and absolute discretion, if an Index Cessation Event or Administrator/Benchmark Event occurs with respect to any tenor of a Floating Rate Option referenced under an OTC Open Contract, ASX Clear (Futures) will apply any applicable Permanent Cessation Fallback under the ISDA 2021 Definitions with respect to each affected OTC Open Contract from the date set out in the applicable Permanent Cessation Fallback.

Introduced 27/06/22

Schedule 3 – Default Management Group Procedures

1 Introduction

The purpose of these default management group procedures (referred to as the **DMG Procedures**) is to set out the authority, organisation, manner of appointment and other matters relating to Default Management Groups (each referred to as a **DMG**) established by ASX Clear (Futures) pursuant to Paragraph 1.1 of Schedule 3 (Establishment of DMGs) of the OTC Rules (referred to as the **Default Management Process**).

Separate from the Default Management Process, the Recovery Rules also contain provisions relating to default management.

Amended 11/02/14, 01/10/15, 03/07/17

2 Definitions

Terms used and not otherwise defined in these DMG Procedures have the meanings which they have in the OTC Rules (including the Default Management Process).

Paragraphs of these DMG Procedures are referred to as DMG Paragraphs.

3 DMG Establishment – [Deleted]

Amended 11/02/14 Deleted 03/07/17

4 DMG Participation

4.1 DMG size

The maximum number of DMG Members who may be appointed in respect of each DMG is 10, or such other number as ASX Clear (Futures) may determine in its sole discretion (**Maximum Number**).

The minimum number of DMG Members who may be appointed in respect of each DMG is six, or such greater number as ASX Clear (Futures) may determine in its sole discretion (**Minimum Number**).

Introduced 03/07/17

4.1A Invitation to participate in DMG

ASX Clear (Futures) will invite OTC Participants authorised to clear an OTC Transaction Type to participate in a DMG established for that OTC Transaction Type for the DMG term. ASX Clear (Futures) will issue invitations at least two months prior to the commencement of the relevant DMG term. An OTC Participant may accept ASX Clear (Futures)' invitation to participate in a DMG by sending ASX Clear (Futures) a Designation Notice in accordance with DMG Paragraph 5 (Designated DMG Members).

An OTC Participant invited to participate in a DMG by ASX Clear (Futures) will have no obligation to accept the invitation. However, if fewer than the Minimum Number

of acceptances are received, or at any time during a DMG term there are fewer than the Minimum Number of DMG Members, ASX Clear (Futures) may in its discretion require one or more non-accepting OTC Participants to send ASX Clear (Futures) a Designation Notice in accordance with DMG Paragraph 5 (Designated DMG Members) to bring the total number of DMG Members to the Minimum Number. ASX Clear (Futures) will use reasonable endeavours to select a non-accepting OTC Participant for no more than two consecutive DMG terms.

If more than the Maximum Number of OTC Participants accept ASX Clear (Futures)' invitation to participate in a DMG, ASX Clear (Futures) will select the Maximum Number of the accepting OTC Participants, giving priority to:

- (a) first, an OTC Participant which has OTC Open Contracts in the relevant OTC Transaction Type at the time of selection; and
- (b) second, an OTC Participant which accepted the invitation, but was not selected, to participate in the immediately preceding DMG term.

Upon ASX Clear (Futures)' acceptance of the Designated DMG Member and Designated Deputy nominated by the OTC Participant in the Designation Notice in accordance with DMG Paragraph 6 (Acceptance by ASX Clear (Futures)), such OTC Participant will be a **Participating DMG Member Institution** for the DMG term of the relevant DMG.

Amended 03/07/17

4.2 Applicable List – [Deleted]

Amended 11/02/14 Deleted 03/07/17

4.3 Substitution – [Deleted]

Deleted 03/07/17

4.4 ASX Clear (Futures) to inform of selection – [Deleted]

Amended 11/02/14 Deleted 03/07/17

5 Designated DMG Members

5.1 Designated DMG Members

By no later than one month following receipt of ASX Clear (Futures)' invitation pursuant to DMG Paragraph 4.1A (Invitation to participate in DMG), each OTC Participant may nominate:

- (a) an individual (who may be an employee of the OTC Participant or of any Related Body Corporate of such OTC Participant) as a potential DMG Member (referred to as the **Designated DMG Member**); and
- (b) another individual (who may be an employee of the OTC Participant or of any Related Body Corporate of such OTC Participant) as a potential deputy (referred to as the **Designated DMG Deputy**),

for the DMG term of a DMG by notifying ASX Clear (Futures) in writing or by fax of the identities and contact information (including personal telephone number and email address) of the nominated individuals (referred to as the **Designation Notice**).

Amended 11/02/14, 07/07/14, 03/07/17

5.2 DMG Member Undertaking

ASX Clear (Futures) will prepare and provide to each Designated DMG Member and Designated DMG Deputy a form of letter under which a Designated DMG Member or Designated DMG Deputy acknowledge and agree to its respective rights and responsibilities as described in these DMG Procedures (referred to as the **DMG Member Undertaking**).

The OTC Participant will ensure that both the Designated DMG Member and the Designated DMG Deputy return the DMG Member Undertaking completed and duly executed, by the earlier of:

- (a) five Business Days after becoming a Designated DMG Member or a Designated DMG Deputy; and
- (b) the last Business Day prior to the commencement of the relevant DMG term (referred to as the **Designation Cut-Off Time**).

Failure by a Designated DMG Member or a Designated DMG Deputy to return a properly completed and executed DMG Undertaking by the Designated Cut-Off Time will result in the relevant Designated DMG Member or a Designated DMG Deputy ceasing to be a Designated DMG Member or a Designated DMG Deputy. In this circumstance, ASX Clear (Futures) will request the OTC Participant to nominate a new DMG Member or DMG Deputy in accordance with this DMG Paragraph 5 (Designated DMG Members).

Amended 03/07/17

5.3 DMG Eligibility Criteria

Each Designated DMG Member and Designated DMG Deputy must satisfy the following eligibility criteria (referred to as the **DMG Eligibility Criteria**) evidenced by adequate information provided by the relevant OTC Participant to ASX Clear (Futures):

- (a) the designated individual must be an employee of the OTC Participant or a Related Body Corporate and must have agreed to participate in a DMG;
- (b) the designated individual must be qualified with respect to the relevant OTC Transaction Type and must have appropriate expertise and experience in relation to the relevant DMG Matters;
- (c) the designated individual is not already a DMG Member or DMG Deputy in a DMG or a similar committee of another central counterparty, clearinghouse or exchange;
- (d) the OTC Participant must have policies in place for the management of (group) employees' conflicts of interest and the designated individual is subject to those policies; and
- (e) the designated individual must be available for prompt participation in person at the premises of ASX Clear (Futures) in Sydney or by electronic communication from a location approved by ASX Clear (Futures) in a DMG Meeting for which the individual has received a meeting request under DMG Paragraph 9.1 with at least two hours' notice (in respect of a DMG Meeting called in accordance with DMG Paragraph 9.3 (Default management meetings)) or at least one week's notice (in respect of a DMG Meeting called in accordance with DMG Paragraph 9.2 (Regular meetings)); and

- (f) the designated individual must not have been sanctioned for misconduct in connection with his or her employment, whether by the OTC Participant, any other employer (current or previous) or any legal or regulatory body.

Amended 11/02/14, 07/07/14, 03/07/17

6 Acceptance by ASX Clear (Futures)

6.1 Assessment

Upon receipt of a Designation Notice, ASX Clear (Futures) will assess the candidacy of the Designated DMG Member and the Designated DMG Deputy on the basis of the information given by the OTC Participant to evidence compliance with the DMG Eligibility Criteria.

The OTC Participant will provide any further information or evidence of compliance with the DMG Eligibility Criteria reasonably requested by ASX Clear (Futures).

Amended 03/07/17

6.2 Acceptance of DMG Member and DMG Deputy by ASX Clear (Futures)

Upon acceptance of a Designated DMG Member and Designated DMG Deputy by ASX Clear (Futures), such Designated DMG Member will be a **DMG Member** for the DMG term of the DMG and such Designated DMG Deputy will be a **DMG Deputy** for such DMG Member for the DMG term of the relevant DMG. Where these DMG Procedures refer to a DMG Member, such reference will also or only refer to the DMG Deputy if and to the extent the context so requires.

Amended 11/02/14

6.3 Rejection

ASX Clear (Futures) will only reject a Designated DMG Member or a Designated DMG Deputy if the Designated DMG Member or the Designated DMG Deputy does not satisfy the DMG Eligibility Criteria. ASX Clear (Futures) will notify the relevant OTC Participant of such rejection and provide written reasons.

Amended 03/07/17

6.4 Second Nomination

Upon a rejection of a Designated DMG Member or a Designated DMG Deputy by ASX Clear (Futures), the relevant OTC Participant may nominate a second individual as Designated DMG Member or Designated DMG Deputy, as the case may be, in accordance with DMG Paragraph 5 (Designated DMG Members).

If ASX Clear (Futures) also rejects such second individual nominated as Designated DMG Member or Designated DMG Deputy, as the case may be, ASX Clear (Futures) will notify the relevant OTC Participant and such OTC Participant will be deemed to be a non-accepting OTC Participant for the purpose of DMG Procedure 4.1 (Invitation to participate in DMG).

Amended 11/02/14, 03/07/17

6.5 List of DMG Members

ASX Clear (Futures) will maintain a list of all DMG Members and DMG Deputies of each DMG, including the relevant contact details (address, phone number, fax number, email address).

ASX Clear (Futures) is not obliged to make available such list to OTC Participants or any other person.

Amended 11/02/14

7 Term of appointment

7.1 DMG term

The membership of a DMG Member or DMG Deputy in a DMG will commence on 1 July and end on 30 June of the following year (referred to as the **DMG term**).

ASX Clear (Futures) is entitled to extend the DMG term of a DMG if the DMG Matters for which a DMG Meeting has been convened are not resolved before the end of such DMG term or if it, and the relevant DMG (by majority vote), otherwise agree to extend.

An individual appointed as a DMG Member or DMG Deputy may serve on the same DMG for consecutive DMG terms if the relevant Participating DMG Member Institution confirms their appointment. For the avoidance of doubt, an individual serving consecutive DMG terms as a DMG Member or DMG Deputy will not need to complete a new DMG Member Undertaking or provide further evidence that they satisfy the DMG Eligibility Criteria.

Amended 03/07/17

7.2 Information undertaking

Each Participating DMG Member Institution will inform ASX Clear (Futures) without undue delay if:

- (a) the relevant DMG Member or DMG Deputy no longer complies with the DMG Eligibility Criteria; or
- (b) it merges with any other Participating DMG Member Institution(s) and if therefore more than one DMG Member or DMG Deputy nominated by the Participating DMG Member Institutions (which are related bodies corporate) is a DMG Member or DMG Deputy in the same DMG.

7.3 Resignation

A DMG Member or DMG Deputy may at any time resign from its appointment by giving not less than 30 calendar days prior written notice of its resignation to the DMG Secretary provided that in any event such resignation will only become effective upon the acceptance by ASX Clear (Futures) of a successor DMG Member or DMG Deputy.

7.4 Automatic Removal

A DMG Member or DMG Deputy will be automatically removed from a DMG on which it serves without any further notice upon:

- (a) the declaration or occurrence of a Default in relation to the Participating DMG Member Institution which has nominated such DMG Member or DMG Deputy; or
- (b) such Participating DMG Member Institution ceasing to be an authorised OTC Participant; or
- (c) ceasing to be an employee of the Participating DMG Member Institution.

In the case of (c), the Participating DMG Member Institution is to nominate a successor who meets the DMG Eligibility Criteria.

Amended 03/07/17

7.5 Removal in the case of a merger

If two or more Participating DMG Member Institutions are subject to a merger and become related bodies corporate, ASX Clear (Futures) will upon consultation with these Participating DMG Member Institution(s), remove all appointed DMG Members and DMG Deputies of such original Participating DMG Member Institutions except for one DMG Member and one DMG Deputy.

7.6 Removal by ASX Clear (Futures)

ASX Clear (Futures) has the right to remove a DMG Member or DMG Deputy from the DMG on which it serves by giving not less than five calendar days prior written notice to the DMG Member or DMG Deputy and the Participating DMG Member Institution if:

- (a) the DMG Member or DMG Deputy fails to participate in at least two DMG Meetings without good reason; or
- (b) the DMG Member or DMG Deputy fails to comply with its duties under the DMG Procedures and such failure (if capable of remedy) has not been remedied after receipt of written notice thereof from the DMG Secretary giving a reasonable remedy period; or
- (c) the DMG Member or DMG Deputy no longer complies with the DMG Eligibility Criteria.

In the case of (c), the Participating DMG Member Institution is to nominate a successor who meets the DMG Eligibility Criteria.

7.7 Removal by Participating DMG Member Institution

Participating DMG Member Institutions may remove the DMG Member or DMG Deputy nominated by it from the DMG on which it serves provided that such removal will only become effective upon the appointment of a successor DMG Member or DMG Deputy (as applicable).

7.8 Removal

Any DMG Member or DMG Deputy that resigns or is replaced or removed from a DMG under these DMG Procedures will no longer be a DMG Member or DMG Deputy, as the case may be, and ASX Clear (Futures) will, in each case, accept a successor DMG Member or DMG Deputy for the remaining DMG term of the DMG who complies with the DMG Eligibility Criteria.

Amended 11/02/14

8 Office holders

8.1 DMG Chairman and DMG Deputy Chairman

Once all DMG Members for a DMG and a DMG term have been appointed, these DMG Members will, upon notification by ASX Clear (Futures), appoint (by Majority vote) a DMG Member to each of the following:

- (a) the chairman of the DMG (referred to as the **DMG Chairman**); and

- (b) the deputy chairman who will perform the functions of the DMG Chairman at any DMG Meeting at which the DMG Chairman is not present (referred to as the **DMG Deputy Chairman**).

The appointment as DMG Chairman and DMG Deputy Chairman will be valid for the DMG term of the DMG.

Amended 11/02/14

8.2 DMG Secretary

ASX Clear (Futures) will serve as the secretary of each DMG (referred to as the **DMG Secretary**) and will perform the administrative duties set out in these DMG Procedures.

9 Convening DMG Meetings

9.1 DMG Secretary to convene

The DMG Secretary may at any time convene a meeting of a DMG (referred to as a **DMG Meeting**) by delivering a meeting request notice to all DMG Members (copied to each DMG Deputy) of the DMG.

Such meeting requests are to be provided to each DMG Member by telephone or email at the telephone number or email address given to ASX Clear (Futures) and addressed to such DMG Member personally.

Meeting requests will be delivered to DMG Members as soon as practicable before the DMG Meeting giving details about the date and time of the DMG Meeting, provided that any meeting request for a DMG Meeting to be held pursuant to:

- (a) DMG Paragraph 9.2 (Regular meetings) will be delivered no less than 1 week prior to the DMG Meeting; or
- (b) DMG Paragraph 9.3 (Default management meetings) will be delivered no less than 2 hours prior to the DMG Meeting.

Amended 11/02/14, 03/07/17

9.2 Regular meetings

DMG Meetings will be convened at regular intervals in order to:

- (a) keep under review the Default Management Process, together with any guidance issued in respect of it;
- (b) keep under review the terms of reference of the DMG to ensure they remain appropriate;
- (c) consider appropriate supplements or amendments to the Default Management Process or guidance to improve the procedures in place;
- (d) prepare for or execute OTC Default Simulations; and
- (e) consider any other business relevant to the DMG which any member of the DMG or ASX Clear (Futures) from time to time considers appropriate.

Amended 11/02/14, 03/07/17

9.3 Default management meetings

In addition to the regular meetings described in DMG Paragraph 9.2 (Regular meetings), DMG Meetings will be convened in accordance with the Default Management Process.

9.4 DMG Meeting Agenda

The DMG Secretary may consult with the DMG Chairman or the DMG Deputy Chairman prior to convening a DMG Meeting.

The DMG Secretary will prepare a meeting agenda which will be distributed to the DMG Members once the DMG Meeting has been opened by the DMG Chairman (referred to as the **DMG Meeting Agenda**).

10 Conduct of DMG Meetings

10.1 Location of DMG Meetings

DMG Meetings will take place at the premises of ASX Clear (Futures) in Sydney.

10.2 Participating DMG Members

DMG Members must participate in each DMG Meeting in person at the premises of ASX Clear (Futures) in Sydney or by electronic communication from a location approved by ASX Clear (Futures).

The relevant DMG Deputy must attend the DMG Meeting if the DMG Member does not attend. A DMG Deputy may attend a regular meeting described in DMG Paragraph 9.2 (Regular meetings) if the DMG Member for its Participating DMG Member Institution is attending.

The DMG Members (and any DMG Deputies) attending a DMG Meeting are each referred to as a **Participating DMG Member**.

Amended 11/02/14, 03/07/17

10.3 Representatives of Defaulted OTC Participants and OTC Participants that are not Participating DMG Member Institutions

For the purpose of DMG Meetings convened to deal with a specific Defaulted OTC Participant, ASX Clear (Futures) may, after consultation with the DMG, invite the Defaulted OTC Participant to nominate one or more representatives to join the DMG to assist it in carrying out its functions in the Default Management Process for that Defaulted OTC Participant.

For the purpose of Regular DMG Meetings and DMG Meetings convened to deal with a specific Defaulted OTC Participant, ASX Clear (Futures) may invite an OTC Participant that is not a Participating DMG Member Institution to nominate one or more representatives to join the DMG to assist it in carrying out its functions.

If it receives such request, the OTC Participant must make available its nominated representative, or an alternate with appropriate skills, experience and expertise.

Each such representative:

- (a) must, before attending the meeting, sign an acknowledgment and undertaking letter provided by the DMG Secretary; and
- (b) will form part of the relevant DMG but will not have a right to vote at the DMG Meeting.

Amended 03/07/17

10.4 Other Attendees

ASX Clear (Futures) may invite any outside counsel, other outside experts, Futures Participants or clients to designate one of its employees to attend one or more DMG

Meetings of a DMG to the extent and as long as such attendance is considered appropriate by ASX Clear (Futures) (referred to as an **Other Attendee**).

Each Other Attendee:

- (a) must sign an acknowledgement and undertaking letter provided by the DMG Secretary prior to its attendance in a DMG Meeting; and
- (b) will form part of the DMG but will not have the right to vote in a DMG Meeting.

Amended 11/02/14

10.5 Employees of ASX Clear (Futures)

Employees of ASX Clear (Futures) may attend DMG Meetings at any time but will not have a right to vote and will not be taken to form part of the DMG. However, employees of ASX Clear (Futures) will have oversight of the DMG and any DMG Meeting and will facilitate any communication between the DMG, any DMG Member and ASX Clear (Futures) with respect to any DMG Matter or any other statement or matter as provided for in the DMG Procedures.

Amended 11/02/14

10.6 No Communication

Participating DMG Members are not permitted to engage in any communication with the relevant Participating DMG Member Institution or any other third party with respect to DMG Matters or any other information obtained during DMG Meetings.

No Participating DMG Members may engage in any communication with another member of a DMG outside of the DMG Meeting with respect to DMG Matters.

Participating DMG Members of a DMG are not permitted to bring any means of electronic communication to the premises of the DMG Meeting.

10.7 Leaving

Participating DMG Members may not leave the DMG Meeting until the DMG Meeting has been officially closed by the DMG Secretary.

10.8 Voting Procedure and Majority

Subject to DMG Paragraph 8.1 (DMG Chairman and DMG Deputy Chairman), all decisions to be made by the DMG will be made at a DMG Meeting by Majority vote of the Participating DMG Members. No quorum of a particular number of Participating DMG Members is required for the convening of a DMG Meeting, the consideration of any item of business of a DMG Meeting or any decision or other determination of the DMG.

For this purpose, **Majority** will mean more than 50% of the Participating DMG Members entitled to vote.

Each Participating DMG Member will have one single vote. In the event that any vote is tied, the DMG Chairman will have the casting vote.

If the DMG Member and DMG Deputy of a Participating DMG Member Institution both attend a regular DMG Meeting convened in accordance with DMG Paragraph 9.2 (Regular meetings), only the DMG Member will be entitled to vote.

Amended 11/02/14, 07/07/14, 03/07/17

10.9 DMG Minutes

Minutes will be taken of all DMG Meetings and signed by the DMG Secretary (referred to as **DMG Minutes**). The DMG Minutes will include the place and date of the DMG Meeting, the Participating DMG Members, the DMG Matters on the DMG Meeting Agenda, the substance of the deliberations and the votes taken by the DMG.

The DMG Secretary will record in the DMG Minutes the identity of each Participating DMG Member with respect to any matter raised by such Participating DMG Member in the DMG Meeting.

11 Statements of DMG

11.1 DMG Statement

The DMG may appoint by Majority vote one or more Participating DMG Members to prepare, on behalf of the DMG, any proposal, response, statement or other document setting out the views of the DMG with respect to any DMG Matter (referred to as a **DMG Statement**).

The DMG Chairman may refer the DMG Statement to a DMG Meeting for approval by Majority vote or may, if the DMG Chairman is satisfied that the DMG Statement represents the views of the Majority of Participating DMG Members after circulating such DMG Statement to the Participating DMG Members, deliver such DMG Statement to ASX Clear (Futures), following which such DMG Statement will be incorporated into the DMG Minutes and will be deemed to set out the view of the DMG.

11.2 DMG Statements Non-binding

ASX Clear (Futures) will give due consideration to a statement or advice from the DMG. However ASX Clear (Futures) is not required to follow such statement or advice. In exercising its rights and obligations in consulting with a DMG, ASX Clear (Futures) will use all reasonable commercial endeavours to agree a common position with the DMG, provided that nothing in the OTC Rules, the OTC Handbook (including the DMG Procedures) or the Default Management Process will prevent ASX Clear (Futures) acting in a way which it reasonably determines necessary to manage its risk or otherwise meet its continuing regulatory obligations including those applicable to it as a CS facility licensee.

If ASX Clear (Futures) does not follow the recommendations or advice of the DMG, ASX Clear (Futures) will provide a notice in writing to the DMG Chairman setting out its reasons for not following such recommendations or advice. ASX Clear (Futures) will not be required to provide such reasons or information relating to reasons where that information is commercially sensitive.

Amended 03/07/17

12 Conduct of DMG Members

12.1 Status

Each Participating DMG Member always remains an employee of the respective Participating DMG Member Institution and does not become an employee of ASX Clear (Futures).

12.2 Directions by Participating DMG Member Institutions

The Participating DMG Member Institution must instruct, and if its Participating DMG Member is employed by any Related Body Corporate of such Participating DMG Member Institution must use reasonable endeavours to ensure that such Related Body Corporate instructs, its Participating DMG Member when acting in such capacity, to comply with the lawful instructions of ASX Clear (Futures) under these Rules and otherwise to act in the best interest of a successful default management process of ASX Clear (Futures).

Introduced 11/02/14, 03/07/17

12.3 Information Undertakings

Each DMG Member and each DMG Deputy will inform ASX Clear (Futures) without undue delay and, if possible, in advance if it is unable to attend any DMG Meeting due to holidays, sickness or any other absence or unavailability.

Each DMG Member and each DMG Deputy will promptly inform ASX Clear (Futures) of any change of its contact details provided to ASX Clear (Futures).

Amended 11/02/14, 03/07/17

12.4 Confidentiality

Except as expressly contemplated in these DMG Procedures or as may be required by applicable law or court order or by an authority having appropriate jurisdiction, each DMG Member and each DMG Deputy will:

- (a) maintain absolute confidentiality regarding any and all information relating to ASX Clear (Futures) and any and all business and trade secrets of ASX Clear (Futures) both towards the Participating DMG Member Institution and towards third parties;
- (b) maintain absolute confidentiality with respect to all aspects of any DMG Matters of any current or past DMG Meetings in which such DMG Member or DMG Deputy was involved, including any discussions, deliberations, proceedings, or results of any votes, or any determinations or acts made under these DMG Procedures (referred to as the **Confidential Information**) both towards the Participating DMG Member Institution and towards third parties; and
- (c) not use any Confidential Information pursuant to item (a) or (b) for its own benefit or the benefit of the Participating DMG Member Institution or the benefit of any third parties (referred to as the **Confidentiality Obligation**).

Confidential Information pursuant to item (a) or (b) shall exclude information which:

- (d) is in or becomes part of the public domain otherwise than through breach of the Rules or Procedures or an obligation of confidentiality owed to ASX Clear (Futures);
- (e) the relevant DMG Member or DMG Deputy can prove by contemporaneous written documentation was already known to it at the time of disclosure (unless such knowledge arose from disclosure of information in breach of an obligation owed to or by a third party); or
- (f) the relevant DMG Member or DMG Deputy acquired from a third party entitled to disclose it.

Amended 11/02/14, 03/07/17

12.5 Compliance with Default Management Group Dealing Code of Conduct and Default Management Group Terms of Reference

Each Participating DMG Member Institution, DMG Member and DMG Deputy will be bound by the provisions of the Default Management Group Dealing Code of Conduct and the Default Management Group Terms of Reference, each as separately made available by ASX Clear (Futures) from time to time.

Introduced 11/02/14

12.6 Execution of DM Hedging Transactions

If ASX Clear (Futures) has requested a Participating DMG Member of a DMG to assist ASX Clear (Futures) in the execution of DM Hedging Transactions in accordance with Schedule 3 of the OTC Rules (Default Management Process), the execution of such DM Hedging Transactions will be governed by the terms of the Default Management Group Dealing Code of Conduct.

Introduced 11/02/14

13 Compensation

13.1 No Remuneration

DMG Members and DMG Deputies are not entitled to receive remuneration from ASX Clear (Futures).

13.2 Costs and Expenses

Participating DMG Members may request from ASX Clear (Futures) reimbursement of all reasonable costs and expenses incurred in connection with their participation in a DMG Meeting, unless the relevant Participating DMG Member Institution is obliged to reimburse such costs and expenses.

14 Governing Law; Place of Jurisdiction

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

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

15 Amendments

ASX Clear (Futures) reserves the right to amend the DMG Procedures from time to time.

Schedule 4 – Default Management Auction Procedures

1 DM Auction Procedures

Each DM Auction is governed by these default management auction procedures (referred to as the **General DM Auction Procedures**), as supplemented by specific auction terms (referred to as the **Specific DM Auction Terms**), which will be substantially in the form of the annex to this Schedule. The General DM Auction Procedures and the Specific DM Auction Terms are together referred to as the **DM Auction Procedures**.

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

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

Amended 01/10/15

2 Definitions

Terms used and not otherwise defined in the DM Auction Procedures will have the meaning given to them in the OTC Rules (including the Default Management Process).

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

3 DM Auctions and DM Auctions Price

DM Auctions will enable the bidders participating in accordance with the DM Auction Procedures to enter into the DM Auction Transactions comprised in the relevant Auction Units with ASX Clear (Futures) at an auction price for the relevant Auction Unit determined in accordance with these DM Auction Procedures (the price for an Auction Unit in each case is referred to as an **Auction Price**).

ASX Clear (Futures) will, after consultation with the relevant DMG(s), specify in the Specific Terms for each DM Auction the relevant Auction Units, and the total number of Auction Units, to be auctioned in the relevant DM Auction, provided that, if the Auction Format of a DM Auction in respect of an Auction Pool is “Highest Bidder Wins Auction Format” there will only be one Auction Unit for such DM Auction.

Amended 11/02/14

4 Participation in DM Auctions

4.1 Participating Bidders

Each Mandatory OTC Participant which is obliged to participate, and each other DM Auction Invitee which has notified ASX Clear (Futures) that it has decided to participate, in the relevant DM Auction in accordance with the Default Management Process may:

- (a) either itself; or
- (b) arrange for another OTC Participant in its place (whether as principal or agent, provided that such arrangement is acceptable to ASX Clear (Futures)),

make a submission of a Bid (as defined below) with regard to a specific Auction Unit, such bidder referred to as a **Participating Bidder**.

Amended 11/02/14

4.2 Disclosure

A DM Auction Invitee may not disclose the Specific DM Auction Terms or any other information with respect to any DM Auction received in its capacity as a DM Auction Invitee, other than in accordance with the Rules, the Default Management Group Dealing Code of Conduct, the Default Management Group Terms of Reference or the Procedures.

Nothing in this paragraph 4.2 will prevent a DM Auction Invitee that is not a Futures Participant, from disclosing information about Futures Contracts comprised in the DM Auction Transactions received in its capacity as a DM Auction Invitee, to a Futures Participant for the purpose of obtaining the agreement of the Futures Participant to clear Futures Contracts which the DM Auction Invitee may acquire in the DM Auction. However, prior to disclosing the Futures Contracts comprised in the DM Auction Transactions to a Futures Participant for this purpose, the DM Auction Invitee must advise the Futures Participant, and obtain a written undertaking from the Futures Participant, that the information about Futures Contracts comprised in the DM Auction Transactions: (1) is confidential and is to be used by the Futures Participant solely for the purpose of assessing whether and on what terms it will agree to clear the Futures Contracts on behalf of the DM Auction Invitee; (2) must be secured by the Futures Participant to maintain confidentiality and ensure the information is used solely for the above purposes; and (3) must be deleted and destroyed by the Futures Participant at the request of the DM Auction Invitee or ASX Clear (Futures).

Amended 11/02/14, 03/07/17

5 Pre-Auction Procedures

5.1 DM Auction Invitees

For each DM Auction ASX Clear (Futures) will provide all Mandatory OTC Participants and such other OTC Participants which ASX Clear (Futures) has selected (if any, and at its sole discretion) to invite (each referred to as a **DM Auction Invitee**) with the Specific DM Auction Terms and with any further relevant information relating to the DM Auction.

The distribution of the Specific DM Auction Terms constitutes an invitation of ASX Clear (Futures) to the DM Auction Invitees to submit a Bid to enter into each of the

DM Auction Transactions comprised in the relevant Auction Unit with ASX Clear (Futures) at the Auction Price.

Amended 11/02/14

5.2 Content of Specific DM Auction Terms

The Specific DM Auction Terms will contain:

- (a) the Auction Unit(s) (including information regarding the DM Auction Transactions comprised in them and any minimum number of Auction Units which each individual Mandatory OTC Participant is required to bid for);
- (b) the auction currency;
- (c) the scheduled auction date (referred to as the Auction Date) and the commencement time, as of which the respective Bids can be submitted (referred to as the Commencement Time);
- (d) the scheduled expiration time by which the respective Bids have to be submitted pursuant to DM Auction Paragraph 6 (Bidding Procedures) by the relevant Participating Bidder (referred to as the Expiration Time);
- (e) the Auction Format (as defined in DM Auction Paragraph 8 (Auction Format) below); and
- (f) the date and time of acceptance of the winning Bids (referred to as the Acceptance Date and Acceptance Time) and the date and time of settlement of the auction (referred to as the Settlement Date and the Settlement Time).

Amended 11/02/14

5.3 Changes

ASX Clear (Futures) is entitled at any time prior to the Expiration Time to change the Auction Date, Commencement Time, Expiration Time, the Auction Format, the Auction Pool the subject of the DM Auction or the bidding procedures pursuant to DM Auction Paragraph 6 (Bidding Procedures), or to cancel a DM Auction, in each case by notice, provided that ASX Clear (Futures) will reasonably extend the Expiration Time to allow for the exercise of the revocation right pursuant to DM Auction Paragraph 5.4 (Revocation of Bids following amendment) below. ASX Clear (Futures) will inform all Participating Bidders about any such changes.

Amended 11/02/14

5.4 Revocation of Bids following amendment

If ASX Clear (Futures) amends the Specific DM Auction Terms or any provisions of the General DM Auction Procedures prior to the Expiration Time of a DM Auction and such amendment is, in the reasonable opinion of ASX Clear (Futures), materially prejudicial to any Participating Bidder that has already submitted its Bid(s) before such amendment was announced and became effective, then such Participating Bidder may revoke its Bid(s) in accordance with this DM Auction Paragraph 5.4 (Revocation of Bids following amendment), provided that a revocation of the respective Bid(s) will only become effective if received by ASX Clear (Futures) prior to the Expiration Time (as amended). Any extension, cancellation, or re-opening of a DM Auction will be deemed not to be materially prejudicial so that a Participating Bidder may not revoke its Bid in case of any such change, however such a Bid may be revised prior to the Expiration Time of the DM Auction.

Amended 11/02/14

6 Bidding Procedures

6.1 Principles

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

- (a) each Mandatory OTC Participant is obliged to provide ASX Clear (Futures) with its mandatory bid(s); and
- (b) each Participating Bidder is permitted to provide ASX Clear (Futures) with a Bid for any further Auction Unit for which it is not obliged to bid.

Amended 11/02/14

6.2 Bids and Bidding Periods

Participating Bidders must submit their offered price for an Auction Unit, or if there is a minimum number of Auction Units for which a Mandatory OTC Participant (if that Participating Bidder is, or is acting on behalf of, that Mandatory OTC Participant) is required to bid, the number of Auction Units no less than such minimum number, in accordance with the Auction Format and in compliance with the DM Auction Procedures (each such submission referred to as a **Bid**) in accordance with DM Auction Paragraph 8 (Auction Format) from, and including, the relevant Commencement Time to, and including, the relevant Expiration Time (referred to as the **Bidding Period**). Each Bid must be a price per Auction Unit expressed in the Auction Currency as specified in the Specific DM Auction Terms for such DM Auction.

Amended 11/02/14

6.3 Bids Irrevocable

A Bid constitutes an offer to enter into the DM Auction Transactions comprised in the relevant Auction Unit(s) (as referred to in the Bid in accordance with the Auction Format and in compliance with the DM Auction Procedures) with ASX Clear (Futures) at the Auction Price. Subject to DM Auction Paragraph 5.4 (Revocation of Bids following amendment), the most recent Bid received by ASX Clear (Futures) from a Participating Bidder in respect of the Auction Unit(s) comprised in a DM Auction will be irrevocable.

Amended 11/02/14

6.4 Bids may be Positive or Negative

Bids may be positive or negative. If the Bid is positive, then if it is successful, the Participating Bidder will be required to pay the Auction Price to ASX Clear (Futures). If the Bid is negative, then if it is successful, ASX Clear (Futures) will be required to pay the Auction Price to the Participating Bidder.

Amended 11/02/14

6.5 Bids not open

All Bids submitted are to be made by a confidential means of communication and are to remain anonymous until the Expiration Time.

Introduced 11/02/14

6.6 Oral Bids

Unless otherwise specified in the Specific DM Auction Terms, Participating Bidders may submit a Bid orally by telephone to ASX Clear (Futures), provided that such oral submission is subsequently evidenced in writing by the Participating Bidder to ASX Clear (Futures). However, the failure to provide any written evidence to ASX Clear (Futures) does not alter the effectiveness of the relevant Bid.

Any Bid submitted orally will be deemed to have been submitted at the time of the oral communication of such Bid.

The record maintained by ASX Clear (Futures) of any such Bid is the authoritative record and is conclusive at all times.

Introduced 11/02/14

6.7 Instructions to ASX Clear (Futures)

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

Introduced 11/02/14

7 Determination of Winning Bid and Auction Price

7.1 Winning Bids

After the Expiration Time, ASX Clear (Futures) will determine the winning Bid for each Auction Unit in accordance with the Auction Format specified in the Specific DM Auction Terms and will inform the winning Participating Bidder on the Acceptance Date and at the Acceptance Time about the acceptance of the respective Bid.

If two or more Participating Bidders enter the same Bid for the same Auction Unit, the winning Bid will be the Bid that was received first by ASX Clear (Futures).

However, regardless of any provisions contained in the Specific DM Auction Terms or these General DM Auction Procedures, if the Auction Format for a DM Auction specifies that the highest Bid (or Bids) submitted is to be the winning Bid (or Bids) for an Auction Unit, if the highest Bid (or Bids) are not acceptable to ASX Clear (Futures) in its sole discretion, having regard to compliance with its obligations as a CS facility licensee, ASX Clear (Futures) may instead select the next highest Bid (or Bids) (or if the next highest Bid is also not acceptable to ASX Clear (Futures) each subsequent lower Bid until a Bid (or Bids) are deemed acceptable) as the winning Bid (or Bids) in any DM Auction.

Amended 11/02/14

7.2 DM Auction Transactions

Upon acceptance of the winning Bid for an Auction Unit by ASX Clear (Futures), the DM Auction Transactions of such Auction Unit will be established at the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Unit in accordance with the standard practices of ASX Clear (Futures). The relevant DM Auction Transactions will be established between ASX Clear (Futures) and either:

- (a) the Participating Bidder; or

- (b) in respect of DM Auction Transactions equivalent to Terminated Open Contracts, in circumstances where the Participating Bidder is not a Futures Participant, the Futures Participant nominated by the Participating Bidder in accordance with OTC Rule 2.3 (Conditions to become an OTC Participant).

Amended 11/02/14

7.3 Notification

ASX Clear (Futures) will inform all Participating Bidders as soon as practically feasible whether their Bid(s) qualified as winning Bid(s) with respect to each Auction Unit.

7.4 Failed Auction

If ASX Clear (Futures) determines that a DM Auction or any part of it has failed for any reason, ASX Clear (Futures) may reallocate Auction Units and hold a further DM Auction, or take such other action as ASX Clear (Futures) determines in its discretion is appropriate.

7.5 Non-disclosure

ASX Clear (Futures) will keep confidential the details of all Bids submitted to it until the Expiration Time, provided that following the Expiration Time, ASX Clear (Futures) may disclose to the DMG the level of each Bid received.

In any event, ASX Clear (Futures) will not disclose:

- (a) the identity of the Participating Bidder that submitted the winning Bid for an Auction Unit to any party;
- (b) the Auction Price for any Auction Unit of an Auction Pool, to any party other than the Participating Bidder who submitted the winning Bid; or
- (c) Bids of Participating Bidders to other Participating Bidders,

unless it is required to do so by law, regulation or regulators.

Amended 11/02/14

8 Auction Format

8.1 General

The Specific DM Auction Terms will specify the format of the relevant DM Auction with regard to the content of a Bid, the specific procedures of the bidding and the determination of a winning Bid (referred to as the **Auction Format**).

ASX Clear (Futures) may apply any Auction Format to a DM Auction in its sole discretion, however when conducting a DM Auction in accordance with these DM Auction Procedures, ASX Clear (Futures) will, unless stated otherwise in the Specific DM Auction Terms, apply the Auction Format of a "Highest Bidder Wins Auction Format" as described in DM Auction Paragraph 8.3 (Highest Bidder Wins Auction Format).

Amended 11/02/14

8.2 Reserve Price

The Specific DM Auction Terms may specify that ASX Clear (Futures) can set a reserve price in connection with a DM Auction. If a reserve price specified for one or

more Auction Units is higher than the otherwise winning Bid for such Auction Unit(s), then despite any other provision of these DM Auction Procedures there is taken to be no winning Bid for such Auction Unit(s).

Amended 11/02/14

8.3 Highest Bidder Wins Auction Format

If the Specific DM Auction Terms specify “Highest Bidder Wins Auction Format” as the applicable Auction Format or if no Auction Format is specified, the following applies:

- (a) all Bids will be made in accordance with the DM Auction Procedures;
- (b) there will be one Auction Unit only comprised in the Auction Pool;
- (c) each Mandatory OTC Participant is required to bid for the Auction Unit comprised in the Auction Pool;
- (d) subject to DM Auction Paragraph 8.2 (Reserve Price) and acceptance of the winning Bid by ASX Clear (Futures), the highest valid Bid will be the winning Bid with respect to each Auction Unit and such highest Bid will be the Auction Price for the respective Auction Unit; and
- (e) subject to DM Auction Paragraph 8.2 (Reserve Price), ASX Clear (Futures) will accept the winning Bid pursuant to DM Auction Paragraph 7.1 (Winning Bids) above with respect to each Auction Unit irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction unless ASX Clear (Futures) chooses not to accept any Bids (in which case it may choose to initiate another DM Auction).

Amended 11/02/14

8.4 Multi-Unit Auction Format

If the Specific DM Auction Terms specify “Multi-Unit Auction Format” as the applicable Auction Format, the following applies:

- (a) ASX Clear (Futures) will specify in the Specific DM Auction Terms or by email to each Mandatory OTC Participant a minimum number of Auction Units for which the Mandatory OTC Participant will submit a Bid. Such minimum number of Auction Units will be determined by ASX Clear (Futures) in accordance with the following formula:
 - (i) the Proportionate Initial Margin Value for the Mandatory OTC Participant for the relevant Auction Pool
divided by
the sum of the Proportionate Initial Margin Values for all Mandatory OTC Participants for the relevant Auction Pool
multiplied by
 - (ii) the Weighted Number of Auction Units for the relevant Auction Pool.

For this purpose:

Proportionate Initial Margin Value is the value of Initial Margin allocated to a Mandatory OTC Participant for the relevant Auction Pool as determined by ASX Clear (Futures) on the basis of the proportion of OTC Open Contracts and other Open Contracts held by such Mandatory OTC Participant as compared with the OTC Open Contracts and other Open Contracts held by each other Mandatory OTC Participant taking into consideration the

Terminated Open Contracts and DM Hedging Transactions comprised in such Auction Pool.

Weighted Number of Auction Units is:

- A. the value of Initial Margin of the Defaulted OTC Participant for the relevant Auction Pool, as determined by ASX Clear (Futures) as if for this purpose it were a Mandatory OTC Participant
divided by
- B. the Auction Unit size in AUD as determined by ASX Clear (Futures) in its sole discretion
multiplied by
- C. a multiplier determined by ASX Clear (Futures) in its sole discretion, provided that the multiplier must be greater than one.

The resulting minimum number of Auction Units for such Mandatory OTC Participant will be rounded up to the nearest whole Auction Unit.

- (b) all Bids will be made in accordance with the DM Auction Procedures;
- (c) subject to DM Paragraph 8.2 (Reserve Price) and acceptance of the winning Bid by ASX Clear (Futures), the highest valid Bid will be the winning Bid with respect to each Auction Unit and such highest Bid will be the Auction Price for the respective Auction Unit; and
- (d) subject to DM Paragraph 8.2 (Reserve Price), ASX Clear (Futures) will accept the winning Bid pursuant to DM Auction Paragraph 7.1 (Winning Bids) above with respect to each Auction Unit irrespective of whether Bids were submitted for all Auction Units of the respective DM Auction unless ASX Clear (Futures) chooses not to accept any Bids (in which case it may choose to initiate another DM Auction).

Introduced 11/02/14

9 Settlement of Auction Price

At the Settlement Time on the Settlement Date, the payment of the Auction Price becomes due and payable and will be paid, together with any applicable OTC Daily Variation Margin or Variation Margin associated with the successful Bid.

10 Irregularities

All questions as to the validity, form and eligibility (including the time of receipt) of any Bid or revision of it, will be determined by ASX Clear (Futures), which determination will be final and binding.

ASX Clear (Futures) reserves the absolute right to reject at any time any and all Bids that do not comply with these DM Auction Procedures.

ASX Clear (Futures) reserves the absolute right to waive any requirement under the DM Auction Procedures.

ASX Clear (Futures) will be under no duty to give notice to Participating Bidders of any irregularities in Bids.

11 Representations, Warranties and Undertakings

11.1 Agreements

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

- (a) it accepts the DM Auction Procedures;
- (b) it accepts that ASX Clear (Futures) is under no obligation to accept a Bid which is not made in accordance with the DM Auction Procedures;
- (c) it accepts the rights of ASX Clear (Futures) set out in DM Auction Paragraph 10 (Irregularities); and
- (d) it will indemnify on an after tax basis ASX Clear (Futures) against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which ASX Clear (Futures) may incur or which may be made against ASX Clear (Futures) as a result of any breach of any of the DM Auction Procedures of, or any of the acknowledgements, representations, warranties and undertakings given pursuant to, the DM Auction Procedures (including any Bid thereunder) by the Participating Bidder, up to a maximum capped amount for that Participating Bidder in respect of all DM Auctions which may occur as a result of the applicable OTC Participant's Default, of fifty million dollars (\$50,000,000).

11.2 Acknowledgments

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

- (a) it understands that ASX Clear (Futures) may, at its own discretion, extend, re-open, amend or waive any condition of, or cancel the DM Auction at any time in accordance with DM Auction Paragraph 5.3 (Changes), and that in the event of a cancellation of the DM Auction, the Bids will be cancelled;
- (b) it understands that acceptance by ASX Clear (Futures) of a submitted Bid as a winning Bid will constitute a binding contract regarding the entering into the DM Auction Transactions comprised in the relevant Auction Units;
- (c) that ASX Clear (Futures) will rely upon the truth and accuracy of the acknowledgments, agreements, representations, warranties and undertakings contained in this DM Auction Paragraph 11 (Representations, Warranties and Undertakings); and
- (d) that an OTC Daily Variation Margin requirement or Variation Margin requirement with respect to the respective DM Auction Transactions comprised in the relevant Auction Units may become due at the relevant Settlement Time.

Amended 11/02/14

11.3 Representations

By submitting a Bid in accordance with the DM Auction Procedures, each Participating Bidder represents and warrants at the time of the submission of its Bid, to ASX Clear (Futures) that:

- (a) it will keep confidential and will not disclose directly or indirectly the Specific DM Auction Terms or any other information regarding the relevant DM Auction, including any information with respect to the DM Auction

Transactions or the Auction Units, that it will use any such information solely for the purpose of evaluating the relevant Auction Units and that it will, unless it has provided the winning Bid which has been accepted by ASX Clear (Futures) or is required to retain such information pursuant to law or internal compliance procedures, immediately delete and destroy such information after the respective Expiration Time and will promptly certify to ASX Clear (Futures) in writing that such deletion has been completed;

- (b) it has not made and will not make available any information about Bids to, or discuss any Bids with, any other Participating Bidder;
- (c) it has neither taken, nor omitted to take, any action in breach of the DM Auction Procedures;
- (d) it does not engage in any trading activity with the purpose of affecting the value of any DM Auction Transaction or Auction Units;
- (e) no order has been made or applied for or resolution passed for the suspension of payments or dissolution, termination of existence, liquidation, winding-up, bankruptcy, insolvency, judicial management or curatorship;
- (f) no moratorium in respect of all or any debts or a composition or an arrangement with creditors or any similar proceeding or arrangement by which its assets are submitted to the control of its creditors is ordered, declared or applied for;
- (g) no liquidator, trustee, administrator, receiver, statutory manager or similar officer has been appointed in respect of it or in respect of all or a substantial part of its assets;
- (h) it is able to pay its debts as and when they fall due, will not become unable to pay its debts as a consequence of entering into the DM Auction Transactions; and
- (i) no event has occurred or circumstance arisen with respect to it, which might (whether or not with the giving of notice or the passage of time or the fulfilment of any other requirement) constitute a Default.

The representation in (a) above is also made by each DM Auction Invitee which is not a Participating Bidder.

The representations and warranties pursuant to this DM Auction Paragraph 11.3 (Representations) will be repeated by each Participating Bidder on the Settlement Date.

Amended 11/02/14

11.4 Duty to Inform

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

12 Governing law; Place of jurisdiction

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

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

13 Amendment of DM Auction Procedures

ASX Clear (Futures) reserves the right to amend the DM Auction Procedures.

Addendum – Default Management Auction Process Timeline

1 Guidance

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

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

2 DM Auction Process Timeline

Step:	Applicable time:	Action:
1	Prior to the Commencement Time	ASX Clear (Futures) to provide all DM Auction Invitees with the Specific Auction Terms in respect of the DM Auction. If the Auction Format is “Multi-Unit Auction Format” ASX Clear (Futures) will specify the minimum number of Auction Units which must be bid for by each Mandatory OTC Participant.
2	At the Commencement Time on the Auction Date	The DM Auction commences.
3	During the Bidding Period	Participating Bidders to submit Bids for the relevant number of Auction Units.
4	Prior to the Expiration Time	ASX Clear (Futures) may change the Auction Date, Commencement Time, Expiration Time, Auction Format or bidding procedures. If such changes are materially prejudicial to a Participating Bidder that has already submitted a Bid, the Participating Bidder may revoke its Bid, if such revocation is received prior to the Expiration Time (as amended).
5	Expiration Time	Submission of Bids closes.
6	Acceptance Time on the Acceptance Date	ASX Clear (Futures) will inform the winning Participating Bidder of the acceptance of its winning Bid for the relevant Auction Units.
7	Settlement Time on the Settlement Date	DM Auction Transactions of each Auction Unit are established as of the Settlement Time on the Settlement Date against payment of the Auction Price for such Auction Unit. Any applicable OTC Daily Variation Margin or any Variation Margin associated with the successful Bid becomes due and payable.

Amended 11/02/14

ANNEX – Form of Specific Terms for DM Auctions

[Letterhead of ASX Clear (Futures)]

To The DM Auction Invitees

[Date]

SPECIFIC TERMS FOR DM AUCTIONS

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

These Specific DM Auction Terms must be read in conjunction with the General DM Auction Procedures as set out in Schedule 4 (Default Management Auction Procedures) of the ASX OTC Handbook and constitute in conjunction with the General DM Auction Procedures the DM Auction Procedures for this DM Auction. In case of any differences between the General DM Auction Procedures and these Specific DM Auction Terms, these Specific DM Auction Terms will prevail. None of the Specific DM Auction Terms or the General DM Auction Procedures prevail over the Recovery Rules.

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

Notwithstanding the above, a DM Auction Invitee that is not a Futures Participant, may disclose information about Futures Contracts comprised in the DM Auction Transactions received in its capacity as a DM Auction Invitee, to a Futures Participant for the purpose of obtaining the agreement of the Futures Participant to clear Futures Contracts which the DM Auction Invitee may acquire in the DM Auction. However, prior to disclosing the Futures Contracts comprised in the DM Auction Transactions to a Futures Participant for this purpose, the DM Auction Invitee must advise the Futures Participant, and obtain a written undertaking from the Futures Participant, that the information about Futures Contracts comprised in the DM Auction Transactions: (1) is confidential and is to be used by the Futures Participant solely for the purpose of assessing whether and on what terms it will agree to clear the Futures Contracts on behalf of the DM Auction Invitee; (2) must be secured by the Futures Participant to maintain confidentiality and ensure the information is used solely for the above purposes; and (3) must be deleted and destroyed by the Futures Participant at the request of the DM Auction Invitee or ASX Clear (Futures)

The DM Auction requires DM Auction Invitees to calculate their own valuation of the Auction Pool to determine an appropriate Auction Bid.

ASX Clear (Futures) has provided, or may provide at any time prior to the deadline for submission of bids, an indicative value of the Auction Pool to all DM Auction Invitees (“Indicative Valuation”). This Indicative Valuation is intended only as an error check to assist DM Auction Invitees to confirm that they have correctly captured the data within the auction data file. ASX Clear (Futures) takes no responsibility for the accuracy or correctness of the Indicative Valuation. In accordance with ASX Clear (Futures) Operating Rule 94, ASX Clear (Futures) will not accept or bear any liability to a DM Auction Invitee for loss arising from use or reliance on the Indicative Valuation. Apart from the Indicative Valuation and supporting documentation provided at the commencement of the DM Auction, ASX Clear (Futures) is

unable to advise further on matters relating to a DM Auction Invitee's calculation of an Auction Bid.

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

General Information:

Auction Pool Code: []
Auction Pool Description: []
Auction Units: []
Minimum number of Auction units which must be Bid for: []
Weighted OTC Commitment Amount¹³: []
Auction Currency: []

DM Auction Transactions: Refer to files attached:

– []
– []

Auction Timetable (all times AEST):

Auction Commencement Date/Time: [DD MMMM YYYY, HH: MM HRS]
Deadline for submissions of Bid Date/Time: [DD MMMM YYYY, HH: MM HRS]
Announcement to auction winner Date/Time: [DD MMMM YYYY, HH: MM HRS]
Announcement of Auction completion Date/Time: [DD MMMM YYYY, HH: MM HRS]
Settlement Date and Settlement Time: [DD MMMM YYYY, HH: MM HRS]
(The Settlement Date and Settlement Time is when the Auction Price will be paid and the DM Auction Transactions of each Auction Unit will be established with the winning Bidder. Margin obligations in respect of the DM Auction Transactions apply to the winning Bidder on and from the Settlement Date and Settlement Time.)

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

Bidding and Auction Procedure Details:

Reserve Price Set: [Yes/No]
Auction Format: []

ASX Clear (Futures)' Indicative Valuation¹⁴:

Indicative Valuation Date and time (SYD bus day only)¹⁵: []
ASX Clear (Futures)' Indicative Valuation (OTC Only): []

¹³ Applicable to this DM Auction Pool

¹⁴ [Will set out the basis on which ASX Clear (Futures) calculates the Indicative Valuation].

¹⁵ This is the date and time at which ASX Clear (Futures) valued the Auction Pool.

Implied Auction Payment Direction: DM Auction Invitee pays ASX Clear (Futures) if positive; ASX Clear (Futures) pays DM Auction Invitee if negative

ASX Clear (Futures)' Indicative Valuation includes only those OTC cash flows scheduled for settlement after the Indicative Valuation Date. Each Indicative Valuation is shown such that a DM Auction Invitee submitting a Bid would pay a positive value to ASX Clear (Futures) or receive a negative value from ASX Clear (Futures).

ASX Clear (Futures) employs the same methodology for the purpose of calculating an Indicative Valuation as it employs for purposes of calculating Variation Margin on OTC Open Contracts.

DM AUCTION BIDDING FORM

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

DM Auction Invitee Name		
DM Auction Invitee Code		
Bid ¹⁶		
Auction Payment Direction	<input type="checkbox"/> DM Auction Invitee pays ASX Clear (Futures)	<input type="checkbox"/> ASX Clear (Futures) pays DM Auction Invitee

The Sender is authorised to submit this bid on behalf of the DM Auction Invitee.

Amended 11/02/14, 01/10/15, 03/07/17

¹⁶ Price per Auction Unit expressed in Auction Currency.

Schedule 5 – Juniorisation Worked Examples

The following examples assume there are nine OTC Participants each having an OTC Commitment as follows:

	OTC Participant	Fixed OTC Commitment (AUD)	Variable OTC Commitment (AUD)	Total OTC Commitment (AUD)
1	Apple Bank	5,000,000	20,000,000	25,000,000
2	Orange Bank	5,000,000	8,000,000	13,000,000
3	Pear Bank	5,000,000	7,000,000	12,000,000
4	Peach Bank	5,000,000	5,000,000	10,000,000
5	Banana Bank	5,000,000	4,000,000	9,000,000
6	Tomato Bank	5,000,000	3,000,000	8,000,000
7	Olive Bank	5,000,000	2,000,000	7,000,000
8	Carrot Bank	5,000,000	1,000,000	6,000,000
9	Default Bank	5,000,000	5,000,000	10,000,000
	Total	45,000,000	55,000,000	100,000,000

Table 1: OTC Commitments of each OTC Participant

1 Highest Bidder Wins Auction Format DM Auction, all OTC Participants are Mandatory OTC Participants

Assume that the Defaulting OTC Participant, named Default Bank, had an OTC Initial Margin (**IM**) requirement of AUD 200,000,000 in respect of its OTC Open Positions at the time of Default.

Assume that ASX Clear (Futures) determines that one DM Auction is to take place using the Highest Bidder Wins Auction Format, and all Non-Defaulting OTC Participants are Mandatory OTC Participants. The OTC Commitments of all Non-Defaulting OTC Participants will consequently be applied in accordance with the procedures set out in Paragraph 5 (Juniorisation) of Schedule 3 of the OTC Rules in that one DM Auction.

The DM Auction takes place and the submitted Bids were ranked from highest to lowest in accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rules. The resulting order in relation to each Mandatory OTC Participant was as follows:

Rank	Mandatory OTC Participant	OTC Commitment (AUD)	Cumulative Total OTC Commitment available for application (AUD)
1	Apple Bank	25,000,000	90,000,000
2	Tomato Bank	8,000,000	65,000,000
3	Orange Bank	13,000,000	57,000,000
4	Peach Bank	10,000,000	44,000,000
5	Pear Bank	12,000,000	34,000,000
6	Carrot Bank	6,000,000	22,000,000
7	Banana Bank	9,000,000	16,000,000
8	Olive Bank	7,000,000	7,000,000
	Total	90,000,000	

Table 2: Ranking of Bids and resulting Juniorisation waterfall

The OTC Commitment of the Defaulting OTC Participant is not included in Table 2 as it ranks junior to the OTC Commitment of all Non-Defaulting OTC Participants in the order of application as set out in Futures Rule 7.1.

In applying the OTC Commitment of each Non-Defaulting OTC Participant in accordance with Futures Rule 7.1(d), Losses are applied to the OTC Commitments in sequential order from the OTC Participant who submitted the lowest Bid (Olive Bank in Table 2) up to the winning bidder (Apple Bank in Table 2).

If the Losses have been fully met by applying the OTC Commitment of some but not all of the Non-Defaulting OTC Participants then the loss application process will cease at such point. For example, if the Losses were fully met after application of AUD 50,000,000 of the Total OTC Commitment of the Non-Defaulting OTC Participants, then each of Olive, Banana, Carrot, Pear and Peach Banks would have lost all their respective OTC Commitments and Orange Bank would lose AUD 6,000,000 of its AUD 13,000,000 OTC Commitment. None of the OTC Commitment of Apple Bank and Tomato Bank would be applied as they submitted higher Bids.

2 Multiple Highest Bidder Wins Auction Format DM Auctions, all OTC Participants are Mandatory OTC Participants

Assume that ASX Clear (Futures) determines that four Auction Pools should be created in respect of a Defaulted OTC Participant in accordance with Paragraph 4.3 (Auction Pools and Auction Pool Weighting) of Schedule 3 of the OTC Rules.

Assume that three of those Auction Pools (Auction Pools A, B and C) are expected to achieve a reasonable level of bidding interest from the Non-Defaulting OTC Participants and have each been given an Auction Pool Risk Weighting of 1 (the baseline allocation multiplier). However, one Auction Pool (Auction Pool D) is determined to be a little less attractive and therefore ASX Clear (Futures), in consultation with the DMG has determined that it needs to stimulate demand in that DM Auction by allocating it an Auction Pool Risk Weighting of 3.

The following Auction Pool IM Values are allocated by ASX Clear (Futures) to each Auction Pool and the resulting Auction Pool Weightings using the applicable Auction Pool Risk Weightings are applied:

	Auction Pool A	Auction Pool B	Auction Pool C	Auction Pool D	Total
Auction Pool IM Value	AUD 100,000,000	AUD 50,000,000	AUD 30,000,000	AUD 20,000,000	AUD 200,000,000
Auction Pool Risk Weighting	1	1	1	3	
Risk Weighted IM Value	AUD 100,000,000	AUD 50,000,000	AUD 30,000,000	AUD 60,000,000	AUD 240,000,000
Auction Pool Weighting	0.4167	0.2083	0.1250	0.2500	1

Table 3: DM Auction Pool Weightings

As can be seen in the above table, the Risk Weighted IM Value is simply the Auction Pool IM Value attributed to an Auction Pool multiplied by the Auction Pool Risk Weighting. The Auction Pool Weighting for an Auction Pool is the Risk Weighted IM Value for that Auction Pool divided by the sum of the Risk Weighted IM Values for all Auction Pools.

The Auction Pool Weighting is then applied to each OTC Participant's OTC Commitment to determine each OTC Participant's Weighted OTC Commitment in respect of a particular Auction Pool.

In this Default scenario all Non-Defaulting OTC Participants are Mandatory OTC Participants in respect of each Auction Pool. Each Non-Defaulting OTC Participant's OTC Commitment is consequently split across each Auction Pool as follows:

Mandatory OTC Participant	Auction Pool A Weighted OTC Commitment Amount (AUD)	Auction Pool B Weighted OTC Commitment Amount (AUD)	Auction Pool C Weighted OTC Commitment Amount (AUD)	Auction Pool D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount (AUD)
Apple Bank	10,416,667	5,208,333	3,125,000	6,250,000	25,000,000
Orange Bank	5,416,667	2,708,333	1,625,000	3,250,000	13,000,000
Pear Bank	5,000,000	2,500,000	1,500,000	3,000,000	12,000,000
Peach Bank	4,166,667	2,083,333	1,250,000	2,500,000	10,000,000
Banana Bank	3,750,000	1,875,000	1,125,000	2,250,000	9,000,000
Tomato Bank	3,333,333	1,666,667	1,000,000	2,000,000	8,000,000
Olive Bank	2,916,667	1,458,333	875,000	1,750,000	7,000,000

Carrot Bank	2,500,000	1,250,000	750,000	1,500,000	6,000,000
Total	37,500,000	18,750,000	11,250,000	22,500,000	90,000,000

Table 4: OTC Commitment apportionment across Auction Pools

The calculation of the apportionment of each OTC Participant's OTC Commitment across all Auction Pools as set out in Table 4 above is shown below using Apple Bank as an example.

Apple Bank has an OTC Commitment of AUD 25,000,000 which is required to be apportioned across the four Auction Pools. Although there are a number of ways to arrive at the same result, for the purposes of this illustration:

Weighted OTC Commitment Amount for a particular Auction Pool = (Risk Weighted IM Value for such Auction Pool ÷ sum of the Risk Weighted IM Values for each Auction Pool) × OTC Participant's OTC Commitment

Apple Bank's Weighted OTC Commitment Amount for:

Auction Pool A = (\$100m ÷ \$240m) × \$25m = \$10.416m

Auction Pool B = (\$50m ÷ \$240m) × \$25m = \$5.208m

Auction Pool C = (\$30m ÷ \$240m) × \$25m = \$3.125m

Auction Pool D = (\$60m ÷ \$240m) × \$25m = \$6.25m

The DM Auctions in respect of each Auction Pool take place and the submitted Bids were ranked from highest to lowest in accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rulebook. The resulting order in relation to each Mandatory OTC Participant was as follows:

Rank	DM Auction A	DM Auction B	DM Auction C	DM Auction D
Winner	Peach Bank	Apple Bank	Orange Bank	Banana Bank
2nd	Tomato Bank	Olive Bank	Tomato Bank	Pear Bank
3rd	Banana Bank	Banana Bank	Carrot Bank	Peach Bank
4th	Apple Bank	Orange Bank	Apple Bank	Tomato Bank
5th	Carrot Bank	Pear Bank	Pear Bank	Olive Bank
6th	Orange Bank	Peach Bank	Olive Bank	Carrot Bank
7th	Olive Bank	Carrot Bank	Peach Bank	Apple Bank
8th	Pear Bank	Tomato Bank	Banana Bank	Orange Bank

Table 5: DM Auction Bid Ranking

Application of the respective OTC Commitments of each Mandatory OTC Participant calculated in Table 4 arrives at the following matrix of OTC Commitments ranked for the purpose of juniorisation. Each Non-Defaulting OTC Participant's OTC Commitment available for application in respect of each DM Auction is ranked according to their Bid in each of the DM Auctions:

Rank	DM Auction A		DM Auction B		DM Auction C		DM Auction D		OTC Commitment available (AUD)
Win	Peach	4,166,667	Apple	5,208,333	Orange	1,625,000	Banana	2,250,000	13,250,000
2nd	Tomato	3,333,333	Olive	1,458,333	Tomato	1,000,000	Pear	3,000,000	8,791,667
3rd	Banana	3,750,000	Banana	1,875,000	Carrot	750,000	Peach	2,500,000	8,875,000
4th	Apple	10,416,667	Orange	2,708,333	Apple	3,125,000	Tomato	2,000,000	18,250,000
5th	Carrot	2,500,000	Pear	2,500,000	Pear	1,500,000	Olive	1,750,000	8,250,000
6th	Orange	5,416,667	Peach	2,083,333	Olive	875,000	Carrot	1,500,000	9,875,000
7th	Olive	2,916,667	Carrot	1,250,000	Peach	1,250,000	Apple	6,250,000	11,666,667
8th	Pear	5,000,000	Tomato	1,666,667	Banana	1,125,000	Orange	3,250,000	11,041,667
Total		37,500,000		18,750,000		11,250,000		22,500,000	90,000,000

Table 6: Multiple Highest Bidder Wins DM Auction Results

In accordance with Paragraph 5.3 (Priority Groups and Commitment Application Amounts) of Schedule 3 of the OTC Rules ASX Clear (Futures) groups the OTC Participants into Priority Groups using these rankings, from those who provided the lowest Bids to those who provided the highest Bids across all DM Auctions. The OTC Commitment of each Mandatory OTC Participant is then applied in sequential order across the Priority Groups from lowest ranking Priority Group to highest ranking Priority Group (i.e. those Mandatory OTC Participants whose Bids ranked 8th have their Weighted OTC Commitment Amount for such Auction Pool applied equally first which equals \$11,041,667). Assuming there was \$50,000,000 of Losses the following apportionment would occur amongst the Mandatory OTC Participants:

The Mandatory OTC Participants comprised in the lowest Priority Group (those Mandatory OTC Participants ranked 8th in Table 6) have their OTC Commitments applied first:

Mandatory OTC Participant	DM Auction A Weighted OTC Commitment Amount (AUD)	DM Auction B Weighted OTC Commitment Amount (AUD)	DM Auction C Weighted OTC Commitment Amount (AUD)	DM Auction D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount applied (AUD)
Apple Bank					
Orange Bank				3,250,000	3,250,000
Pear Bank	5,000,000				5,000,000
Peach Bank					
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667			1,666,667

Olive Bank					
Carrot Bank					
Total	5,000,000	1,666,667	1,125,000	3,250,000	11,041,667

Table 7: Lowest Priority Group OTC Commitments applied first

Following the application of the Weighted OTC Commitments of the Mandatory OTC Participants comprised in the lowest Priority Group, the Mandatory OTC Participants comprised in the second lowest Priority Group (those Mandatory OTC Participants ranked 7th in Table 6) have their Weighted OTC Commitments applied as shown below in Table 8:

Mandatory OTC Participant	DM Auction A Weighted OTC Commitment Amount (AUD)	DM Auction B Weighted OTC Commitment Amount (AUD)	DM Auction C Weighted OTC Commitment Amount (AUD)	DM Auction D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount applied (AUD)
Apple Bank				6,250,000	6,250,000
Orange Bank				3,250,000	3,250,000
Pear Bank	5,000,000				5,000,000
Peach Bank			1,250,000		1,250,000
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667			1,666,667
Olive Bank	2,916,667				2,916,667
Carrot Bank		1,250,000			1,250,000
Total	7,916,667	2,916,667	2,375,000	9,500,000	22,708,334

Table 8: 8th and 7th highest ranked Priority Group OTC Commitment Loss allocation

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the next highest Priority Group (those ranked 6th in Table 6) are then applied as follows:

Mandatory OTC Participant	DM Auction A Weighted OTC Commitment Amount (AUD)	DM Auction B Weighted OTC Commitment Amount (AUD)	DM Auction C Weighted OTC Commitment Amount (AUD)	DM Auction D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount applied (AUD)
Apple Bank				6,250,000	6,250,000
Orange Bank	5,416,667			3,250,000	8,666,667

Pear Bank	5,000,000				5,000,000
Peach Bank		2,083,333	1,250,000		3,333,333
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667			1,666,667
Olive Bank	2,916,667		875,000		3,791,667
Carrot Bank		1,250,000		1,500,000	2,750,000
Total	13,333,334	5,000,000	3,250,000	11,000,000	32,583,334

Table 9: 8th, 7th and 6th highest ranked Priority Group OTC Commitment Loss Allocation

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the next highest Priority Group (those ranked 5th in Table 6) are then applied as follows:

Mandatory OTC Participant	DM Auction A Weighted OTC Commitment Amount (AUD)	DM Auction B Weighted OTC Commitment Amount (AUD)	DM Auction C Weighted OTC Commitment Amount (AUD)	DM Auction D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount applied (AUD)
Apple Bank				6,250,000	6,250,000
Orange Bank	5,416,667			3,250,000	8,666,667
Pear Bank	5,000,000	2,500,000	1,500,000		9,000,000
Peach Bank		2,083,333	1,250,000		3,333,333
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667			1,666,667
Olive Bank	2,916,667		875,000	1,750,000	5,541,667
Carrot Bank	2,500,000	1,250,000		1,500,000	5,250,000
Total	15,833,334	7,500,000	4,750,000	12,750,000	40,833,334

Table 10: 8th, 7th, 6th and 5th highest ranked Priority Group OTC Commitment Loss Allocation

As there is a total of AUD 50,000,000 Loss, following the application of OTC Commitment for each of the 4 lowest Priority Groups, the remaining Loss is less than the OTC Commitment available for application across the next highest Priority Group. The remaining Loss is applied proportionately across each Mandatory OTC Participant's Weighted OTC Commitment Amount for each Auction Pool allocated to such Priority Group.

The remaining Loss is \$50,000,000 - \$40,883,334 = \$9,166,667.

The Weighted OTC Commitments of the Mandatory OTC Participants comprised in the 4th highest Priority Group are applied in the same ratio as they have at risk in that Priority Group.

DM Auction	Mandatory OTC Participant	Weighted OTC Commitment Amount at risk (AUD)	Weighted OTC Commitment Amount applied (AUD)
A	Apple Bank	10,416,667	5,232,116
B	Orange Bank	2,708,333	1,360,350
C	Apple Bank	3,125,000	1,569,635
D	Tomato Bank	2,000,000	1,004,566
	Total	18,250,000	9,166,667

Table 11: Application and apportionment of OTC Commitment to 4th placed bidders in the DM Auctions

When applied to the juniorisation matrix it results in an application of the Weighted OTC Commitment of each Mandatory OTC Participant to meet the entire AUD 50,000,000 of Losses as follows:

Mandatory OTC Participant	DM Auction A Weighted OTC Commitment Amount (AUD)	DM Auction B Weighted OTC Commitment Amount (AUD)	DM Auction C Weighted OTC Commitment Amount (AUD)	DM Auction D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount applied (AUD)
Apple Bank	5,232,116		1,569,635	6,250,000	13,051,751
Orange Bank	5,416,667	1,360,350		3,250,000	10,027,017
Pear Bank	5,000,000	2,500,000	1,500,000		9,000,000
Peach Bank		2,083,333	1,250,000		3,333,333
Banana Bank			1,125,000		1,125,000
Tomato Bank		1,666,667		1,004,566	2,671,233
Olive Bank	2,916,667		875,000	1,750,000	5,541,667
Carrot Bank	2,500,000	1,250,000		1,500,000	5,250,000
Total	21,065,450	8,860,350	6,319,635	13,754,566	50,000,001

Table 12: Weighted OTC Commitment contributions following Juniorisation

3 Multiple Highest Bidder Wins Auction Format DM Auctions where one OTC Participant is not a Mandatory OTC Participant in respect of all Auction Pools

Assume that ASX Clear (Futures) determines that four Auction Pools should be created in respect of a Defaulted OTC Participant in accordance with Paragraph 4.3 (Auction Pools and Auction Pool Weighting) of Schedule 3 of the OTC Rules.

Assume that Carrot Bank is not a Mandatory OTC Participant in respect of Auction Pool C and Auction Pool D as, in accordance with Paragraph 4.5 (Mandatory OTC Participants) of Schedule 3 of the OTC Rules, at the time of default of the Defaulted OTC Participant they did not have any OTC Open Contracts in the relevant Auction Pools. However, Carrot Bank is a Mandatory OTC Participant in respect of Auction Pool A and Auction Pool B, and as such their OTC Commitment is applied across those Auction Pools only.

The allocation of Carrot Bank's OTC Commitment across two Auction Pools only alters the allocation of the OTC Commitment of the other OTC Participants across the four Auction Pools. The Weighted OTC Commitment Amounts for each OTC Participant across the Auction Pools is shown in Table 13 below.

OTC Participant	Auction Pool A Weighted OTC Commitment Amount (AUD)	Auction Pool B Weighted OTC Commitment Amount (AUD)	Auction Pool C Weighted OTC Commitment Amount (AUD)	Auction Pool D Weighted OTC Commitment Amount (AUD)	Total OTC Commitment Amount (AUD)
Apple Bank	9,970,238.10	4,985,119.05	3,348,214	6,696,429	25,000,000
Orange Bank	5,184,523.81	2,592,261.90	1,741,071	3,482,143	13,000,000
Pear Bank	4,785,714.29	2,392,857.14	1,607,143	3,214,286	12,000,000
Peach Bank	3,988,095.24	1,994,047.62	1,339,286	2,678,571	10,000,000
Banana Bank	3,589,285.71	1,794,642.86	1,205,357	2,410,714	9,000,000
Tomato Bank	3,190,476.19	1,595,238.10	1,071,429	2,142,857	8,000,000
Olive Bank	2,791,666.67	1,395,833.33	937,500	1,875,000	7,000,000
Carrot Bank	4,000,000	2,000,000	0	0	6,000,000
Total	37,500,000	18,750,000	11,250,000	22,500,000	90,000,000

Table 13: Weighted OTC Commitment allocation for Juniorisation

ASX Clear (Futures) may adjust the Weighted OTC Commitment Amounts of each OTC Participant to take into account the re-weighting which it determines is required in accordance with Paragraph 5.2 (Weighted OTC Commitment Amount) of Schedule 3 of the OTC Rules. The adjustments required may be achieved in multiple ways but for the purposes of illustration one method is described below.

Firstly the OTC Commitment of the OTC Participant that is not a Mandatory OTC Participant in respect of an Auction Pool is attributed to each Auction Pool in which it is a Mandatory OTC Participant.

The OTC Commitment of Carrot Bank is required to be apportioned across two Auction Pools only. The Auction Pool Weighting for each of Auction Pools A and B for Carrot Bank is calculated in accordance with the procedures set out in paragraph 5.2 (Weighted OTC Commitment Amount) of Schedule 3 of the OTC Rules as if the only Auction Pools were Auction Pools A and B. It is then applied to determine the Weighted OTC Commitment Amount for Carrot Bank:

Carrot Bank's Weighted OTC Commitment Amount for:

$$\text{Auction Pool A} = (\$100\text{m} \div \$150\text{m}) \times \$6\text{m} = \$4\text{m}$$

$$\text{Auction Pool B} = (\$50\text{m} \div \$150\text{m}) \times \$6\text{m} = \$2\text{m}$$

Following these calculations, the Auction Pool Weighting for each Auction Pool in respect of each other OTC Participant is then calculated after allowing for Carrot Bank's "skewed" application of its OTC Commitment:

Auction Pool Weighting for Auction Pool A = (total Weighted OTC Commitment Amounts for Auction Pool A – Weighted OTC Commitment Amounts already applied) ÷ (Total OTC Commitments of all Non-Defaulting OTC Participants – OTC Commitments already allocated)

$$(\$37.5\text{m} - \$4\text{m}) \div (\$90\text{m} - \$6\text{m}) = 0.3988$$

The Auction Pool Weighting is then applied in accordance with the procedures set out in paragraph 5.2 of Schedule 3 of the OTC Rules to determine the Weighted OTC Commitment Amount of each remaining Mandatory OTC Participant for each Auction Pool:

$$\text{Apple Bank's Weighted OTC Commitment Amount for Auction Pool A} = 0.3988 \times \$25\text{m} = \$9.970\text{m}$$

$$\text{Orange Bank's Weighted OTC Commitment Amount for Auction Pool B} = 0.3988 \times \$13\text{m} = \$5.184\text{m}$$

This process is continued for each Mandatory OTC Participant and for each Auction Pool.

Following completion of each DM Auction the OTC Commitment of each Mandatory OTC Participant is then ranked and allocated to Priority Groups before being applied according to the process set out in Example 2 above.

In order to ensure that the OTC Commitment of each OTC Participant is applied equally across and between Priority Groups, in situations where an OTC Participant is not deemed to be a Mandatory OTC Participant for a particular Auction Pool, ASX Clear (Futures), in consultation with the DMG, may also determine a ranking "placeholder" for each such OTC Participant. Assuming it was determined that Carrot Bank would be placed in the 8th and the 5th position for DM Auctions C and D respectively. The juniorisation matrix would look as follows.

Rank	DM Auction A		DM Auction B		DM Auction C		DM Auction D		OTC Commitment available (AUD)
Win	Peach	3,988,095	Apple	4,985,119	Orange	1,741,071	Banana	2,410,714	13,125,000
2nd	Tomato	3,190,476	Olive	1,395,833	Tomato	1,071,429	Pear	3,214,286	8,872,024
3rd	Banana	3,589,286	Banana	1,794,643	Apple	3,348,214	Peach	2,678,571	11,410,714
4th	Apple	9,970,238	Orange	2,592,262	Pear	1,607,143	Tomato	2,142,857	16,312,500
5th	Carrot	4,000,000	Pear	2,392,857	Olive	937,500	N/A	N/A	7,330,357
6th	Orange	5,184,524	Peach	1,994,048	Peach	1,339,286	Olive	1,875,000	10,392,857
7th	Olive	2,791,667	Carrot	2,000,000	Banana	1,205,357	Apple	6,696,429	12,693,452
8th	Pear	4,785,714	Tomato	1,595,238	N/A	N/A	Orange	3,482,143	9,863,095
	Total	37,500,000		18,750,000		11,250,000		22,500,000	90,000,000

4 One Multi-Unit Auction Format DM Auction and 3 Highest Bidder Wins Auction Format DM Auctions.

Continuing with the assumption that ASX Clear (Futures) has determined that there are to be four Auction Pools and that Carrot Bank is not a Mandatory OTC Participant in respect of Auction Pools C and D. However, in this scenario ASX Clear (Futures) has determined that DM Auction A will be held in a Multi-Unit Auction Format.

It is decided that the following attributes will be assigned to DM Auction A:

Multiplier	1.40
Auction Unit size (AUD)	2,500,000
Weighted Number of Auction Units	56

Table 15: Attributes of DM Auction A

A multiplier is applied to ensure that the number of Auction Units which may be Bid for is greater than the number of Auction Units in the Auction Pool.

For the purposes of this example it is assumed that the value of Initial Margin of the Defaulted OTC Participant for Auction Pool A is \$100,000,000 (see Table 3).

The Weighted Number of Auction Units available to be Bid for in DM Auction A is determined according to the following formula:

Weighted Number of Auction Units = value of Initial Margin of the Defaulted OTC Participant for Auction Pool A ÷ Auction Unit size × multiplier.

For DM Auction A the Weighted Number of Auction Units = \$100,000,000 ÷ 2,500,000 × 1.40 = 56

Using the Proportionate Initial Margin Value allocated to each Mandatory OTC Participant for Auction Pool A by ASX Clear (Futures) and the Weighted Number of Auction Units for such Auction Pool, the minimum number of Auctions Units required to be Bid for by each OTC Participant can be determined. Taking Apple Bank as an example:

Minimum Number of Auction Units for Apple Bank = Proportionate Initial Margin Value for Apple Bank ÷ sum of Proportional Initial Margin Values for all Mandatory OTC Participants for DM Auction A × Weighted Number of Auction Units for DM Auction A

$135,000,000 \div 500,000,000 \times 56 = 15.12$ (rounded up to 16 for the purposes of the DM Auction)

Below is Table 16 showing the rounded Minimum Number of Auction Units required to be Bid for by each Mandatory OTC Participant in DM Auction A.

Mandatory OTC Participant	Proportionate Initial Margin Value (AUD)	Minimum Number of Auction Units required to be Bid for	Rounded Minimum Number of Auction Units required to be Bid for
Apple Bank	135,000,000	15.12	16
Orange Bank	70,000,000	7.84	8

Pear Bank	65,000,000	7.28	8
Peach Bank	55,000,000	6.16	7
Banana Bank	50,000,000	5.60	6
Tomato Bank	39,000,000	4.37	5
Olive Bank	35,000,000	3.92	4
Carrot Bank	51,000,000	5.71	6
Total	500,000,000	56	60

Table 16: Minimum Number of Auction Units to be Bid for in DM Auction A, a Multi-Unit Auction Format DM Auction

When DM Auction A was completed the following result occurred (in order of highest Bid value submitted) (Table 17).

Mandatory OTC Participant	Auction Units won
Peach Bank	7
Tomato Bank	5
Banana Bank	6
Apple Bank	16
Carrot Bank	6
Orange Bank	-
Olive Bank	-
Pear Bank	-
Total	40

Table 17: DM Auction A results, Auction Units won, per Mandatory OTC Participant

The allocation of OTC Commitments for the purpose of juniorisation is unaffected by the type of DM Auction. Each Bid is still ranked according to price and allocated according to the Auction Pool Weighting for that DM Auction. If an OTC Participant were to submit multiple Bids then the lowest Bid submitted would be used to for the purposes of calculating the juniorisation of their OTC Commitment (note this would not be used for purposes of determining any winning Bid). Multi-Unit Auction Format DM Auctions will only affect the size of the portfolio won by each winner in the DM Auction as multiple winners share the portfolio.

These results are summarised in Table 18.

DM Auction A		DM Auction B		DM Auction C		DM Auction D		Rank		Priority Group applicatio of Loss (AUD)
Peach	3,988,095	Apple	4,985,119	Orange	1,741,071	Banana	2,410,714	Winner	13,125,000	90,000,000
Tomato	3,190,476	Olive	1,395,833	Tomato	1,071,429	Pear	3,214,286	2nd	8,872,024	76,875,000
Banana	3,589,286	Banana	1,794,643	Carrot		Peach	2,678,571	3rd	8,062,500	68,002,976
Apple	9,970,238	Orange	2,592,262	Apple	3,348,214	Tomato	2,142,857	4th	18,053,571	59,940,476
Carrot	4,000,000	Pear	2,392,857	Pear	1,607,143	Olive	1,875,000	5th	9,875,000	41,886,905
Orange	5,184,524	Peach	1,994,048	Olive	937,500	Carrot		6th	8,116,071	32,011,905
Olive	2,791,667	Carrot	2,000,000	Peach	1,339,286	Apple	6,696,429	7th	12,827,381	23,895,833
Pear	4,785,714	Tomato	1,595,238	Banana	1,205,357	Orange	3,482,143	8th	11,068,452	11,068,452
Total	37,500,000		18,750,000		11,250,000		22,500,000		90,000,000	

Table 18: Summary Results

Introduced 11/02/14

Schedule 6 – Allocation of Loss Worked Example

1 Allocation of Loss following default management process

Below is a worked example of how Losses may be allocated following the default management process:

	House	Client 1	Client 2	Client 3	Totals	Notes
T ₀ IM [^] (Assumed [*])	500	100	200	200	1000	1
<i>House Positions and Client1 Positions hedged immediately</i>						
Δ in NPV IM [^] T ₀ → T ₂	-200		50	-100	-250	2
T ₂ Hypothetical IM [^] (after entry into of certain DM Hedging Transactions)	400					3
<i>Client2 Positions and Client3 Positions added to combined portfolio at end of day 2</i>						
Δ in NPV IM [^] T ₂ → T _n (Assumed [*])			-250		-250	4
Δ in NPV IM [^] T ₀ → T _n					-500	5
DM Auction costs (Assumed [*])			-100		-100	6
Total costs					-600	7
Split as follows						
Δ in NPV IM [^] T ₂ → T _n + DM Auction costs	-175		-87.5	-87.5	-350	8
Δ in NPV IM [^] T ₀ → T ₂	-200		50	-100	-250	9
Total	-375		-37.5	-187.5	-600	10
Allocate Losses to House Positions & Client Positions based on original IM [^]	-312.5	-62.5	-37.5	-187.5		11
Return of funds	187.5	37.5	162.5	12.5	400	12

Notes on above table:

T₀ Day of Default of the Clearing Participant

T_n Day of successful close-out

* Values labelled “Assumed” are example values made up for this illustration

[^] For the purpose of calculating the relative apportionment percentages across both the Client Account and House Account of the Defaulted Clearing Participant “IM” refers to Initial Margin as calculated by ASX Clear (Futures) and does not also refer to Excess Margin.

1. Assume that ASX Clear (Futures) is holding AUD 1,000 of Initial Margin (IM) split between the House Account and the Client Account of the Defaulted Clearing Participant. The House Positions of the Defaulted Clearing Participant and Client Positions of Client 1 are subject to Termination while Client 2 and Client 3 have nominated Alternate Clearing Participants for the transfer of their Client Positions. The amount of IM is the amount of IM that was due at the last margin call. If the Default of the Clearing Participant was due to a failure to pay the applicable amount

of IM relating to that margin call then any shortfall will be deducted from any returned amounts, see note 12.

2. On day 2, the Variation Margin of the aggregated portfolio of House Positions and Client Positions of Client 1 has decreased by AUD 200. Client 2 and Client 3 have a gain of 50 and a loss of 100 respectively in respect of their Client Positions.
3. At end of T_2 the hypothetical IM of the aggregated portfolio of House Positions and all Client 1 Client Positions after the entry into of some DM Hedging Transactions is AUD 400, while the actual IM of Client 2 and Client 3 remains at AUD 200, giving a total IM at the end of T_2 of AUD 800. At this point assume that neither Client 2 nor Client 3 is accepted by an Alternate Clearing Participant and the respective Client Positions are added to the overall portfolio of the Defaulted Clearing Participant.
4. Between the end of T_2 and T_n the combined portfolio of House Positions and Client Positions loses another AUD 250.
5. The total NPV IM Loss since the Clearing Participant Defaulted is AUD 500.
6. Assume DM Auction costs, including the cost of entering into DM Hedging Transactions are AUD 100.
7. Total Losses equal the change in NPV IM of AUD 500 *plus* DM Auction costs of AUD 100, totalling AUD 600. This leaves AUD 400 remaining to share between the House Account and the 3 Individual Sub-Accounts for each Client.
8. For the period T_2 to T_n the change in NPV IM (-250) and DM Auction costs (-100) are allocated based on the IM held as detailed in Note 3. In this example, AUD 350 is split accordingly. To elaborate, the House Positions and the Client Positions of Client 1 incur a change in NPV of $(400 \div 800) \times 350 = -175$, the Client Positions of Client 2 incur a change in NPV of $(200 \div 800) \times 350 = -87.5$ and the Client Positions of Client 3 incur a change in NPV of $(200 \div 800) \times 350 = -87.5$.
9. For the period T_0 to T_n , the Losses are brought down as shown in Row 2.
10. Total Losses to be allocated is calculated as follows: the combined House Positions and Client 1 Positions the Losses allocated = (NPV IM T_0 to T_2) (see note 2) + (NPV IM T_2 to T_n + DM Auction costs) (see note 8). So in this example, Total Losses of -600 will be apportioned as follows: House and Client 1 combined Losses allocated = $-200 - 175 = -375$, Client 2 Losses allocated = $50 - 87.5 = -37.5$, Client 3 Losses allocated = $-100 - 87.5 = -187.5$.
11. For the House Positions and Client Positions of Client 1, the Losses are allocated as per the original ratio of IM held. In this example, Losses allocated to the House Positions are $(500 \div 600) \times -375 = -312.5$ and Losses allocated to the Client 1 Positions are $(100 \div 600) \times -375 = -62.5$.
12. The total to return to each account administrator (Original IM (Row 1) less Loss allocation (Row 11)). If the Clearing Participant Default was due to a failure to pay a margin call, the shortfall would be deducted from the returned funds.

Introduced 11/02/14

Schedule 7 – Attestation

This schedule sets out the form of Attestation which OTC Participants are required to lodge under OTC Rule 2.14.

OTC Participant: (“the OTC Participant”)

Year Ended: (“the Period”)

I attest that at all times during the Period the OTC Participant has complied with OTC Rule 2.14:

- 1. The OTC Participant has access arrangements in place that comply with paragraph (a).
- 2. The OTC Participant has appropriate arrangements in place for internal authorisation of the submission of OTC Transactions for registration and requests to cancel, amend or transfer OTC Open Contracts under paragraph (b). I am not aware of any submission of an OTC Transaction by the OTC Participant for registration or any request made by the OTC Participant for cancellation, amendment or transfer of an OTC Open Contract that was not authorised in accordance with those arrangements.

.....
Authorised Signatory

Name:

Date:

INSTRUCTIONS:

This Attestation is to be signed by one authorised signatory who must be a member of the senior executive management of the OTC Participant (at or above the level of the Chief Risk Officer, Chief Compliance Officer or Chief Operating Officer) with responsibility for the matters the subject of this Attestation.

This Attestation is required to be completed and lodged by each OTC Participant within three months of the end of each calendar year.

Amended 11/02/14, 07/04/14

End of Section.