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ASX CLEAR (FUTURES) PTY LIMITED

ACN 050 615 864

ASX OTC RULEBOOK

Version 1 (2013)

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ASX OTC Rulebook

1 SCOPE AND INTERPRETATION

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

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

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

1.2 Futures Rules and their application

These OTC Rules form part of:

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

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

Futures Term	OTC Term
Clearing Participants	OTC Participants
Market Contracts	OTC Transactions
Open Contracts	OTC Open Contracts
Open Position	OTC Open Position
Commitment	OTC Commitment
Initial Margin	OTC Initial Margin
Variation Margin	OTC Daily Variation Margin

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

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

These OTC Rules prevail if they specify that a Futures Rule does not apply to OTC Clearing, or if these OTC Rules are inconsistent with, or vary, the Futures Rules. For clarity, Schedule 1 (Relationship with Futures Rules) to these OTC Rules sets out a matrix showing which Futures Rules are disapplied to OTC Clearing and OTC Open Contracts.

1.3 Meanings of terms

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

1.4 OTC Handbook

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

1.5 OTC Participants

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

1.6 OTC Transactions and OTC Transaction Type

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

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

1.7 OTC Open Contract

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

1.8 OTC Open Position

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

All OTC Open Positions are House Positions for the purpose of the Futures Rules.

1.9 Re-bilateralisation

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

1.10 OTC Terms

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

1.11 Interpretation

Unless the contrary intention appears, in these OTC Rules:

- (a) a reference to a particular “OTC Rule” is a reference to that rule in these OTC Rules;
- (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 the Futures Rules, these OTC Rules and the OTC Handbook) 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, dollars, AUD, \$ or A\$ is a reference to the lawful currency of Australia;
- (f) a reference to a time of day is a reference to Sydney time;
- (g) the word “person” includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- (h) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) 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;
- (j) a reference to the Corporations Act is a reference to the *Corporations Act 2001 (Cwlth)*;
- (k) an expression in an OTC Rule which deals with a matter dealt with in a provision of the Corporations Act has the same meaning that it has in that provision of the Corporations Act; and
- (l) in the interpretation of an OTC Rule, a construction that would promote the purpose or object underlying the OTC Rules (whether that purpose or object is expressly stated in the OTC Rules or not) is to be preferred to a construction which would not promote that purpose or object.

1.12 Number

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

1.13 Headings

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

1.14 Signpost: Good standing

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

2 PARTICIPATION AND GENERAL

2.1 Signpost to related Futures Rules

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

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

2.2 Becoming an OTC Participant

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

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

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

2.3 Conditions to become an OTC Participant

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

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

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

2.4 Application to be an OTC Participant

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

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

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

2.5 Approval of application

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

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

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

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

2.6 Fees and OTC Commitment

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

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

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

2.7 Conditions on authorisation

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

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

2.8 Limitations on authorisation

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

An OTC Participant may not assign, charge, declare a trust in respect of, or otherwise deal with its rights or privileges under these OTC Rules. ASX Clear

(Futures) is not required to recognise any purported interest of any person in the rights of an OTC Participant under these OTC Rules.

2.9 Fees

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

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

2.10 Relationship with ASX Clear (Futures)

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

ASX Clear (Futures) need not recognise the interests of any person who claims to have an interest in the rights which an OTC Participant has against ASX Clear (Futures) and ASX Clear (Futures) is not responsible for the performance or liabilities of any OTC Participant to any person.

2.11 Variations to OTC Handbook

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

2.12 Termination of OTC Clearing service

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

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

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

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

2.13 Obligations of OTC Participant prior to termination

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

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

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

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

2.14 OTC Product Committees

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

2.15 Access arrangements and trade authorisation

An OTC Participant must:

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

3 COMMITMENTS AND FINANCIAL REQUIREMENTS

3.1 Signpost to related Futures Rules

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

- 5 (Commitment to Support Obligations of ASX Clear (Futures))

- 6 (Withdrawal of Clearing Participant Commitment)
- 8 (Financial Requirements).

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

3.2 OTC Commitment

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

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

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

3.3 Financial Requirements of OTC Participants

An OTC Participant must:

- (a) have:
 - (i) if it is an Australian Bank, a minimum Tier 1 capital of \$50,000,000; or
 - (ii) if it is not an Australian Bank, a minimum level of Net Tangible Assets equal to \$50,000,000. For this purpose, Net Tangible Assets has the same meaning as it has in the Futures Rules; and
- (b) lodge with ASX Clear (Futures) the following financial information:
 - (i) if it is an Australian Bank, a quarterly capital statement of its Tier 1 capital in the form prescribed by ASX Clear (Futures); or
 - (ii) if it is not an Australian Bank, the financial information required of a Clearing Participant in accordance with the Futures Rules; and
- (c) immediately advise ASX Clear (Futures) if any of the financial circumstances set out in the OTC Handbook occur in respect of the OTC Participant (if any such financial circumstances are set out in the OTC Handbook).

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

Financial Requirements determined by ASX Clear (Futures) apply to that OTC Participant until ASX Clear (Futures) determines otherwise.

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

- (a) the Financial Requirements applicable to it as a Futures Participant; or
- (b) the Financial Requirements applicable to it as an OTC Participant,

unless otherwise provided under this OTC Rule 3.3.

4 REGISTRATION

4.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in Part 3 (Registration of Market Contracts and Obligations of ASX Clear (Futures)) of the Futures Rules. However, to the extent that those Futures Rules could be applicable to OTC Clearing they are replaced by these OTC Rules. Accordingly, Part 3 of the Futures Rules does not apply to OTC Clearing.

4.2 OTC Participants and OTC Participant Related Entities

Only OTC Participants are entitled to have OTC Transactions registered in their name.

Each OTC Participant must be acting as principal in respect of each OTC Transaction and each OTC Participant represents and warrants that it is acting as principal in respect of an OTC Transaction.

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

The related OTC Participant:

- (a) will be taken to be, and will be taken to have been, party to that OTC Transaction for the purposes of these OTC Rules, the OTC Handbook and the Futures Rules, regardless of the identity of the original contracting party to the OTC Transaction;
- (b) will be taken to be acting as principal in respect of that OTC Transaction and ASX Clear (Futures) will not in any way be required to recognise any OTC Participant Related Entity and is not in any way responsible for the performance of the obligations under OTC Open Contracts to any OTC Participant Related Entity;
- (c) will ensure that the OTC Transaction is terminated in accordance with OTC Rule 4.6(b) as if it were an original contracting party to that OTC Transaction and represents and warrants that it has the full capacity and authority to terminate the OTC Transaction on behalf of the OTC Participant Related Entity; and

- (d) indemnifies and will keep indemnified ASX Clear (Futures) and its officers, representatives, agents and contractors against all actions proceedings, claims, demands, damages, costs, expenses and any other amounts including any transaction taxes, goods and services taxes or any other duties or taxes (extending to include any taxes payable by ASX Clear (Futures) on a payment made under this indemnity) against or incurred by any of ASX Clear (Futures), its officers, representatives, agents or contractors arising out of or in connection with the registration of the OTC Transaction submitted by an OTC Participant Related Entity, or any action taken by, or any inaction by, any of ASX Clear (Futures) or its officers, representatives, agents or contractors in connection with the registration of the OTC Transaction submitted by an OTC Participant Related Entity, to the extent that it was not caused by the negligence, fraud or wilful default of ASX Clear (Futures).

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

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

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

4.3 Submission of OTC Transactions

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

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

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

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

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

4.4 Reliance on correctness

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

4.5 Acceptance for registration

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

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

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

Each OTC Open Contract registered by ASX Clear (Futures) will be registered in the House Clearing Account.

4.6 Creation of OTC Open Contracts

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

- (a) two OTC Open Contracts are created, one between ASX Clear (Futures) and each OTC Participant which was, or was taken to be, a party to the OTC Transaction. Under each OTC Open Contract, ASX Clear (Futures) has the same rights against, and obligations to, each OTC Participant which the other OTC Participant had, or was taken to have, under the OTC Transaction (this reference to the “same” rights or obligations is a reference to rights or obligations which are the same in nature and character as those rights or obligations rather than the same as to the person entitled to them or obliged to perform them);
- (b) the OTC Transaction is terminated so that each OTC Participant is released from its obligations to the other OTC Participant which was, or was taken to be, a party to the OTC Transaction, except for outstanding

obligations which have fallen due for performance and which have not been performed at the time of registration; and

- (c) each OTC Participant which was, or was taken to be, a party to the OTC Transaction is bound by its respective OTC Open Contracts with ASX Clear (Futures) automatically and without any further action on their part.

The terms of these OTC Open Contracts incorporate all applicable terms of the OTC Rules and the OTC Handbook (including the OTC Terms set out in the OTC Handbook which are applicable to the relevant OTC Open Contract). Each OTC Open Contract is between ASX Clear (Futures) and an OTC Participant as principal and not as agent. No other person has any rights or obligations under any OTC Open Contract between the OTC Participant and ASX Clear (Futures).

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

4.7 Exclusion of certain OTC Open Contracts

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

- (a) was entered into fraudulently;
- (b) was, to the knowledge of the parties to the OTC Transaction, entered into with an intention by either party to the OTC Transaction to Default; or
- (c) was otherwise not entered into in a bona fide manner by the parties to the OTC Transaction,

provided that:

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

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

4.8 Incorrectly registered OTC Transactions

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

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

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

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

4.9 Authoritative Record

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

4.10 Performance of OTC Open Contracts

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

4.11 Trade amendment and cancellation

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

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

4.12 Backloading

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

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

4.13 Re-bilateralisation

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

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

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

- (a) each OTC Participant which holds an OTC Open Position in respect of one of those OTC Open Contracts notifies ASX Clear (Futures) of its instructions to remove the OTC Open Contract;

- (b) any conditions on accepting such instructions determined by ASX Clear (Futures) in its discretion (which may include the provision of Margin from either or both OTC Participants) have been satisfied; and
- (c) ASX Clear (Futures) chooses, at its discretion, to accept those instructions.

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

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

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

4.14 Transfer of OTC Open Contracts

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

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

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

ASX Clear (Futures) may, on the request of an OTC Participant, transfer an OTC Open Contract satisfying the above conditions held in the name of that OTC Participant to another OTC Participant that is authorised in respect of the OTC Transaction Type to which that OTC Open Contract relates. ASX Clear (Futures) may in its discretion, decline any request without cause or impose such conditions on accepting such a request as it thinks fit, including requiring Margin.

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

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

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

Participant had against ASX Clear (Futures) under the OTC Open Contract between ASX Clear (Futures) and the transferring OTC Participant.

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

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

4.15 OTC Portfolio Compression

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

4.16 Market netting contract

ASX Clear (Futures) and each OTC Participant acknowledge that OTC Open Contracts are market netting contracts (as defined in the *Payment Systems and Netting Act 1998 (Cwlth)*) the terms of which incorporate any and all Futures Rules, OTC Rules and provisions of the OTC Handbook which provide for or relate to the exercise of default rights, the netting, set-off or termination of obligations, the calculation or payment of termination values or net amounts, the obligation to make a payment, or transfer of property, to meet a deposit or margin call, the enforcing of security, and the transfer of, or dealing with, rights, obligations or property or which otherwise affect the rights and obligations of the parties to the contracts.

5 ACCOUNTS AND MARGIN

5.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in Part 4 (Accounts and Daily Settlement) of the Futures Rules. However, to the extent that those Futures Rules could be applicable to OTC Clearing they are replaced by these OTC Rules. Accordingly, Part 4 of the Futures Rules (except Futures Rules 47.2 to 47.4) does not apply to OTC Clearing except to the extent set out in this OTC Rule 5.

5.2 House Clearing Account

All money or property owing or deliverable to or from ASX Clear (Futures) in relation to OTC Open Positions of an OTC Participant is registered in that OTC Participant's House Clearing Account (which is the same account as is established under Futures Rule 41.1).

ASX Clear (Futures) may, but is not obliged to, withdraw an amount owing to it by an OTC Participant in connection with OTC Open Positions (including Margin) from that OTC Participant's House Clearing Account.

5.3 Transfer of OTC Initial Margin

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

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

5.4 Securities as OTC Initial Margin

ASX Clear (Futures) may in its absolute discretion:

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

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

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

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

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

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

5.5 Change of OTC Initial Margin obligations

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

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

5.6 Portfolio Margining

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

An OTC Participant may, in accordance with the OTC Handbook, request that Open Contracts with that OTC Participant registered in the OTC Participant's House Clearing Account of a class so notified by ASX Clear (Futures) be taken into account in determining the amount of OTC Initial Margin required from that OTC Participant.

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

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

in each case, in accordance with the OTC Handbook.

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

5.7 OTC Intra-day Margin and OTC Extra Margin

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

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

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

5.8 OTC Daily Closing Value

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

5.9 OTC Daily Variation Margin

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

Following each such determination:

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

OTC Daily Variation Margin must be paid in Australian dollars, or such other currency that ASX Clear (Futures) determines is acceptable in its discretion from time to time. The payment of OTC Daily Variation Margin is made absolutely and is to be in accordance with the OTC Handbook.

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

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

5.10 Price Alignment Interest

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

5.11 Excess Margin

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

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

5.12 Errors, corrections and related disputes

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

- (a) carry out any or all adjustments or corrections that ASX Clear (Futures) deems appropriate in relation to that error; and

- (b) impose such conditions or undertake any such actions as ASX Clear (Futures) considers appropriate to deal with the consequential impacts (whether actual or potential) in relation to making such adjustments or corrections.

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

ASX Clear (Futures) may determine any disputes in relation to errors, purported errors or any other related matters contemplated by this OTC Rule 5.12 including, but not limited to, matters relating to the calculation, payment or valuation of OTC Initial Margin, OTC Daily Variation Margin, OTC Intra-day Margin, OTC Extra Margin, coupons and Price Alignment Interest. Where ASX Clear (Futures) makes such a determination in relation to a dispute, that determination will be final and binding on all the parties.

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

6 DEFAULT

6.1 Signpost to related Futures Rules

These OTC Rules relate to matters which are addressed in:

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

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

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

6.2 Default management process

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

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

Each OTC Participant must:

- (a) comply with its obligations in connection with the Default Management Provisions;
- (b) approve ASX Clear (Futures) as a counterparty with which it can enter into DM Hedging Transactions, Independent DM Transactions or DM Auction Transactions in accordance with the Default Management Provisions;
- (c) co-operate with, and not cause any hindrance to, ASX Clear (Futures) in the course of the management of any Default or Termination; and
- (d) if requested by ASX Clear (Futures), take part in tests designed and implemented by ASX Clear (Futures) from time to time that evaluate the OTC Participant's ability to fulfil its default management obligations and appoint:
 - (i) one of its employees as Designated DMG Member; and
 - (ii) one of its employees as Designated DMG Deputy,

as primary contacts for ASX Clear (Futures) for all general matters relating to default management. Each OTC Participant must notify ASX Clear (Futures) of the appointment in the manner prescribed by ASX Clear (Futures) in the OTC Handbook from time to time.

6.3 Default and Defaulted OTC Participants

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

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

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

6.4 Events of Default

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

- (a) the OTC Participant is in breach of the rules of any recognised, designated or overseas investment exchange or clearinghouse;
- (b) the OTC Participant fails to pay any sum due and payable, or threatens to suspend payment under the terms of any agreement;

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

other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter;

- (viii) causes or is subject to any of the events specified in clauses (i) to (vii) above (inclusive); or
- (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

6.5 Terminable Open Contracts

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

6.6 Termination and Terminated Open Contracts

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

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

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

to be the subject of a **Termination** and the time at which such Termination is to be effective (referred to as the **Termination Time**). The Open Contracts (whether OTC Open Contracts or Terminable Open Contracts) which are the subject of such a declaration are referred to as **Terminated Open Contracts**.

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

6.7 Termination Value

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

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

- (a) the value of obligations which fell due in connection with the Terminated Transaction(s) (including payment of OTC Daily Variation Margin and Variation Margin) before the Termination Time but which have not been performed;
- (b) the value of obligations which would have been due for performance under the Terminated Transactions after the Termination Time if the

Terminated Transaction(s) had not been Terminated (including payment of OTC Daily Variation Margin and Variation Margin); and

- (c) its losses, costs, charges and expenses in connection with the Default Management Process with respect to the Terminated Transaction(s) including, without limitation, DM Hedging Transaction Costs and amounts payable by it in respect of the DM Auctions.

ASX Clear (Futures) may include the amount of interest in any or all of (a), (b) and (c), calculated in a manner consistent with OTC Rule 8.3 (Interest on overdue amounts).

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

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

6.8 Application of OTC Initial Margin and all other amounts

In addition to any other rights which ASX Clear (Futures) has in connection with the Default of an OTC Participant, ASX Clear (Futures) may apply or appropriate any amount of OTC Initial Margin, OTC Intra-day Margin or OTC Extra Margin or any other amount standing to the credit of the OTC Participant, and any other amount held by ASX Clear (Futures) in respect of the OTC Participant, towards the payment or discharge of the amounts payable by the Defaulted OTC Participant.

6.9 Information Sharing

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

6.10 Advice and Assistance

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

7 EMERGENCIES AND FORCE MAJEURE

7.1 Signpost to related Futures Rules

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

8 MISCELLANEOUS

8.1 Signpost to related Futures Rules

These OTC Rules relate to matters addressed in Part 9 (Miscellaneous) of the Futures Rules. Futures Rules 96 (Notification to the Exchange) and 102

(Compulsory Settlement) do not apply to OTC Clearing. However, all of the other Futures Rules in Part 9 apply to OTC Clearing, where relevant.

In addition the following OTC Rules apply.

8.2 Payments by OTC Participants

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

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

However, on each Business Day, ASX Clear Futures may aggregate or net any or all payments due between it and an OTC Participant on that day (whether related to OTC Open Contracts, Futures Contracts or otherwise) in the same currency to produce a single net amount which is payable between them in that currency. The obligations which were netted or aggregated to produce the single net amount are discharged by its payment.

8.3 Interest on overdue amounts

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

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

8.4 Discretion in exercising rights

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

Any exercise of discretion or other choice by ASX Clear (Futures) under these OTC Rules may be made in the absolute discretion of ASX Clear (Futures) unless these OTC Rules expressly state otherwise. However, ASX Clear (Futures) will exercise such rights and remedies in good faith having regard to the obligations, duties, powers and discretions which it has as the holder of, or in connection with the holding of, an Australian CS facility licence under Part 7.3 of the Corporations Act.

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

8.5 Consents

Each OTC Participant agrees to comply with all conditions in any consent ASX Clear (Futures) gives in connection with these OTC Rules.

8.6 Partial exercising of rights

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

8.7 No liability for loss

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

8.8 Remedies cumulative

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

8.9 When ASX Clear (Futures) taken to have performed its obligations

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

8.10 OTC Participant to have e-mail

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

8.11 Governing law

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

ASX OTC Rulebook

Schedule 1 – Relationship with Futures Rules

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

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

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
4.3				Not relevant
4.4		2.3		
4.5			Applicable	
4.6		2.6		
4.7		2.6		
4.7A		2.7		
4.7B		2.6		
4.8			Applicable	
4.9		2.8		
4.10		2.7		
4.11			Applicable	
4.12			Applicable	
4.13			Applicable	
4.14 (except 4.14(j), (ja), (k), (l))			Applicable	
4.14(j), (ja), (k), (l)				Not relevant
4.15			Applicable	
5.1		3.2		
5.2			Applicable	
5.3			Applicable	
5.4			Applicable	
5.5			Applicable	
5.5A			Applicable	

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
5.6	3.2			
5.7			Applicable	
5.7A			Applicable	
5.8			Applicable	
5.9			Applicable	
5.10			Applicable	
5.11				Not relevant
6.1			Applicable	
6.2			Applicable	
6.3			Applicable	
7.1			Applicable	
7.2			Applicable	
7.3			Applicable	
7.4			Applicable	
7.5			Applicable	
7.6			Applicable	
7.7			Applicable	
7.8			Applicable	
7.9			Applicable	
7.10			Applicable	
8.1	3.2, 3.3			
8.2			Applicable	
8.3			Applicable	

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

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
12B				Not relevant
13			Applicable	
14			Applicable	
15				Not relevant
16			Applicable	
17			Applicable	
18			Applicable	
19			Applicable	
20			Applicable	
30				Not relevant
31.1	4.3			
31.2	4.5			
31.3	4.6			
31.4	4.2			
31.5(a)	4.4			
31.5(b)				Not relevant
31.6	4.2, 4.5			
31.7	4.7			
31.8		4.16		
31A				Not relevant
32				Not relevant
33	4.14			
34		2.9		

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
35				Not relevant
36				Not relevant
37				Not relevant
40	5.1			
41.1	5.2			
41.2				Not relevant
41.3				Not relevant
41.4				Not relevant
41.5				Not relevant
41.6				Not relevant
41.7				Not relevant
41.8				Not relevant
41A				Not relevant
42				Not relevant
43.1	5.3, 5.4			
43.2	5.5			
43.3	5.5			
43.4				Not relevant
43.5	5.6			
43A				Not relevant
44	5.8			
44A				Not relevant
45	5.7			

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
45A				Not relevant
46				Not relevant
47.1				Not relevant
47.2			Applicable	
47.3			Applicable	
47.4			Applicable	
48				Not relevant
49	5.11			
50				Not relevant
51				Not relevant
52				Not relevant
53				Not relevant
54				Not relevant
60				Not relevant
61				Not relevant
62				Not relevant
63				Not relevant
63A				Not relevant
64				Not relevant
70			Applicable	
71.1		6.3		
71.3		6.4		
72.1		6.6		

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
72.1A			Applicable	
72.2		6.6		
72.3		6.7		
73		6.7		
74			Applicable	
75			Applicable	
75A			Applicable	
76			Applicable	
80			Applicable	
81			Applicable	
82			Applicable	
90		8		
92.1		8.11		
92.2			Applicable	
92.3				Not relevant
93.1			Applicable	
93.2			Applicable	
93.3		8.4		
93.4		8.9		
93.5			Applicable	
93.6			Applicable	
93.7		8.6		
93.8		8.8		

A Futures Rule	B Replaced by OTC Rule (and Futures Rule does not apply)	C Supplementary OTC Rule (and Futures Rule applies as varied or supplemented)	If not referred to in column B or C:	
			D Futures Rule applies	E Futures Rule not relevant (and does not apply)
94			Applicable	
95			Applicable	
96				Not relevant
97			Applicable	
99			Applicable	
101			Applicable	
102				Not relevant
103			Applicable	
104			Applicable	
105			Applicable	
106			Applicable	
107			Applicable	

ASX OTC Rulebook

Schedule 2 – OTC Commitment

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

1 OTC Commitment

The OTC Commitment for each OTC Participant is comprised of:

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

2 Fixed OTC Commitment

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

3 Variable OTC Commitment

3.1 Variable OTC Commitment Calculations

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

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

Aggregate Fixed OTC Commitment:	For a Calculation Period, is equal to the total Fixed OTC Commitment received by ASX Clear (Futures).
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Aggregate OTC Commitment:	One hundred million dollars (\$100,000,000).
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Aggregate Variable OTC Commitment:	For a Calculation Period, is equal to the greater of zero and:
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	<p>(a) the Aggregate OTC Commitment</p> <p><i>minus</i></p> <p>(b) the Aggregate Fixed OTC Commitment.</p>
Calculation Period:	<p>In respect of a Quarter, the period:</p> <p>(a) from, and including, the 11th day of the final month of the Quarter which immediately preceded the immediately preceding Quarter;</p> <p>(b) to, and including, the 10th day of the final month of the immediately preceding Quarter.</p>
Daily Average Initial Margin	<p>For an OTC Participant in respect of a Calculation Period is equal to:</p> <p>(a) sum of that OTC Participant's OTC Initial Margin on each Business Day in that Calculation Period</p> <p><i>divided by</i></p> <p>(b) the number of Business Days in that Calculation Period.</p>
Quarter:	<p>Each three month period:</p> <p>(a) starting on 1 March, 1 June, 1 September and 1 December of each year; and</p> <p>(b) ending on 30 May, 31 August, 30 November and 28 February (or 29 February in a leap year), respectively.</p>
Rounding:	<p>Each OTC Variable Commitment will be rounded to the nearest multiple of ten thousand dollars on the basis that an amount of \$5,000 and above is rounded up and an amount of \$4,999.99 down <i>provided that</i> the rounding must ensure that ASX Clear (Futures) has exactly the Aggregate Variable OTC Commitment required.</p>
Variable OTC Commitment:	<p>For an OTC Participant in respect of a Quarter is equal to:</p> <p>(a) the Aggregate Variable OTC Commitment</p> <p><i>multiplied by</i></p> <p>(b) that OTC Participant's Variable OTC Commitment Proportion,</p> <p>each in respect of the relevant Calculation Period.</p>
Variable OTC Commitment Proportion	<p>For an OTC Participant in respect of a Calculation Period is equal to (expressed as a percentage):</p> <p>(a) the Daily Average Initial Margin of that OTC</p>

Participant

divided by

(b) the Aggregate Daily Average Initial Margin,
each in respect of that Calculation Period.

3.2 Timing of Variable OTC Commitment Calculations

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

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

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

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

4 Transitional Arrangements

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

During the Transitional Period, the Variable OTC Commitment of each OTC Participant in respect of the Initial Period and each subsequent Quarter (including any OTC Participant that is admitted during such Initial Period or Quarter) will be equal to \$7,500,000.

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

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

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

Trigger Event means:

- (a) there are eight or more OTC Participants;
- (b) all OTC Participants have agreed that the aggregate OTC Commitment will be \$100,000,000;
- (c) the OTC Initial Margin is more than \$500,000,000; or
- (d) a competent regulatory authority has directed ASX Clear (Futures) that the aggregate OTC Commitment will be \$100,000,000.

5 New OTC Participants

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

1 Default Management Groups

1.1 Establishment of DMGs

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

1.2 DMG Procedures

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

1.3 Participating DMG Member Institutions

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

1.4 Liquidation Groups

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

1.5 DMG Matters

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

- (a) upon the occurrence of a Default;
- (b) upon the occurrence of a Termination;
- (c) for OTC Default Simulations (as defined in Paragraph 4 (OTC Default Simulations) below); or
- (d) to obtain advice on any of the following matters (referred to as **DMG Matters**) as thought appropriate by ASX Clear (Futures):
 - (i) the establishment of DM Hedging Transactions in accordance with Paragraph 2 (DM Hedging Transactions), including the selection of the relevant counterparties and the relevant hedging terms and strategy, and the assistance in the execution of DM Hedging Transactions;

- (ii) the entry into of Independent DM Transactions pursuant to (and as defined under) Paragraph 3 (Establishment of OTC Open Contracts);
- (iii) the holding of one or more DM Auctions pursuant to (and as defined under) Paragraph 3 (Establishment of OTC Open Contracts), including the timing, the procedures and the terms and conditions of a DM Auction; and
- (iv) any further matters relating to the consequences and risks of a Default or Termination.

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

1.6 Role of DMG

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

1.7 DMG Members

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

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

Each OTC Participant accepts that:

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

any such duty if they relied in good faith on the DMG Procedures, the OTC Rules or the OTC Handbook.

1.8 ASX Clear (Futures) dealings with DMG

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

2 DM Hedging Transactions

At any time after an OTC Participant Defaults, ASX Clear (Futures) may in its discretion enter into transactions in order to hedge the effects of the Termination of one or more OTC Open Contracts and other Terminable Open Contracts which has occurred or which may occur as a result of the OTC Participant's Default (each of these transactions are referred to as a **DM Hedging Transaction**).

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

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

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

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

3 Establishment of OTC Open Contracts

3.1 Independent DM Transactions, DM Auctions and DM Auction Transactions

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

- (a) enter into independent trades to establish new OTC Open Contracts or other Open Contracts which are, taken as a whole, equivalent to all or some of the Terminated Open Contracts which were subject to Termination (each an **Independent DM Transaction**) or reciprocal to

DM Hedging Transactions, as deemed appropriate by ASX Clear (Futures) in consultation with the relevant DMG(s); and

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

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

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

3.2 DM Auction Procedures and Auction Units

DM Auctions are governed by the procedures set out in the default management auctions procedures, as set out in Schedule 4 (Default Management Auction Procedures) of the OTC Handbook (referred to as the **DM Auction Procedures**) from time to time. DM Auctions will be conducted with regard to identically composed units of DM Auction Transactions of each Liquidation Group (or, in consultation with the relevant DMG(s), parts of each Liquidation Group), as specified by ASX Clear (Futures) for each DM Auction after consultation with the relevant DMG(s) (each referred to as an **Auction Unit**).

3.3 Mandatory OTC Participants

OTC Participants:

- (a) authorised to act as OTC Participants with respect to all DM Auction Transactions that are OTC Open Contracts comprised in the relevant Auction Unit;
- (b) having, or having access to, the necessary account structure to settle all DM Auction Transactions comprised in the relevant Auction Unit;
- (c) which, at the time of default of the relevant Defaulted OTC Participant, have at least one OTC Open Contract of each relevant Liquidation Group; and
- (d) with respect to which no Default has occurred and is continuing,

(each referred to as a **Mandatory OTC Participant**), must participate in DM Auctions in accordance with the DM Auction Procedures.

However, ASX Clear (Futures) may, in its sole discretion, waive the requirement that a Mandatory OTC Participant participate in a DM Auction related to such Mandatory OTC Participant.

4 OTC Default Simulations

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

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

5 Information Regarding Default Management Process

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

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

