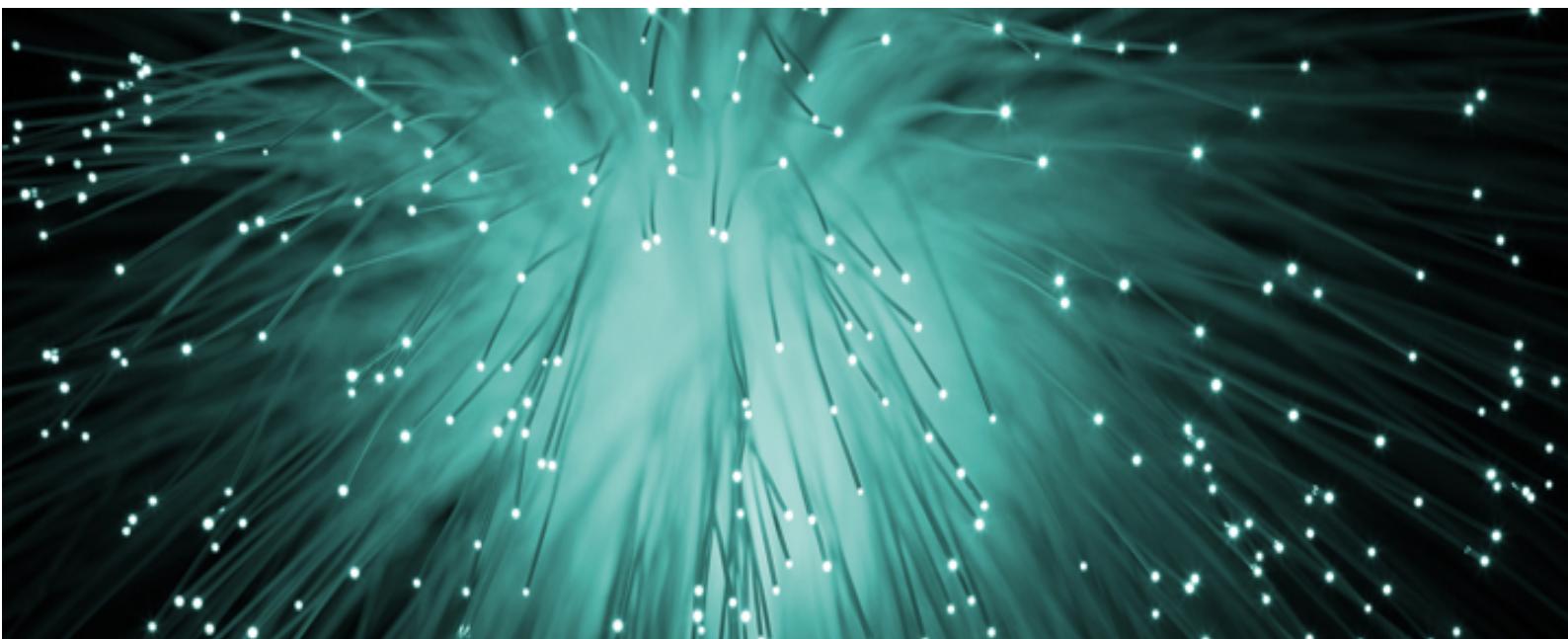




ASX OTC Interest Rate Derivatives Clearing Service

Daily Call Procedures & Margin Calculation Fact Sheet



Document Purpose

The purpose of this document is to provide users of the ASX OTC Interest Rate Derivatives Clearing Service with an overview of the Daily Call Procedures.

Margin calculations and cash flows

End of Day

ASX undertakes end of day calculations after the close of the Clearing Service at 9:00pm AEST or AEDT. ASX determines margin values and cashflows that are collected from or paid to Clearing Participants, in a single net settlement in the morning of the following Business Day.

Futures Initial Margin:- A Futures Initial Margin, is calculated for all of a Clearing Participant's ASX24 Futures & Options Positions not eligible for Portfolio-Margining, using the SPAN-based methodology.

Futures Variation Margin:- A Futures Variation Margin, is calculated for all of a Clearing Participant's ASX24 Futures & Options on Futures Positions using standard mark-to-market calculations.

OTC Initial Margin:- An OTC Initial Margin, is calculated for the Clearing Participant's Cleared OTC Portfolio and eligible Interest Rate Futures positions that have been allocated to achieve Portfolio-Margining.

OTC Variation Margin:- An OTC Variation Margin, is calculated for all of a Clearing Participant's OTC Portfolio, utilising standard mark-to-market calculations based on change in the NPV of all trades.

OTC Coupons:- OTC Coupons are a contractual cashflow that are settled on the Coupon Payment Date as referenced in the OTC Open Contract.

OTC Additional Payments:- OTC Additional Payments are a contractual cashflow that are settled on the Additional Payment Payment Date as referenced in the OTC Open Contract. Additional Payments must be input into the Approved Trade Source System (MarkitWire) for these to be collected and paid by ASX.

Additional Initial Margin:- ASX Clear (Futures) applies Additional Initial Margin (AIM) when a Clearing Participant's position is in excess or is likely to exceed the various limits applicable to that Clearing Participant pursuant to the Clearing Rules and the ASX Clear (Futures) risk management policies. These limits include Capital-Based Position Limits (CBPL), Stress Test loss Exposure Limits (STEL), Open Interest position concentration limits and Net Tangible Asset requirements.

Note: Futures Initial Margin, OTC Initial Margin and Additional Initial Margin values are retained by the Clearing House for risk management purposes. A combination of cash or non-cash collateral may be used to collateralise these values. All other Variation Margin and cashflows identified above are pass-through (i.e. collected from and paid between Clearing Participants), as such these may only be collateralised in the currency of the cashflow e.g. A\$ Cash.

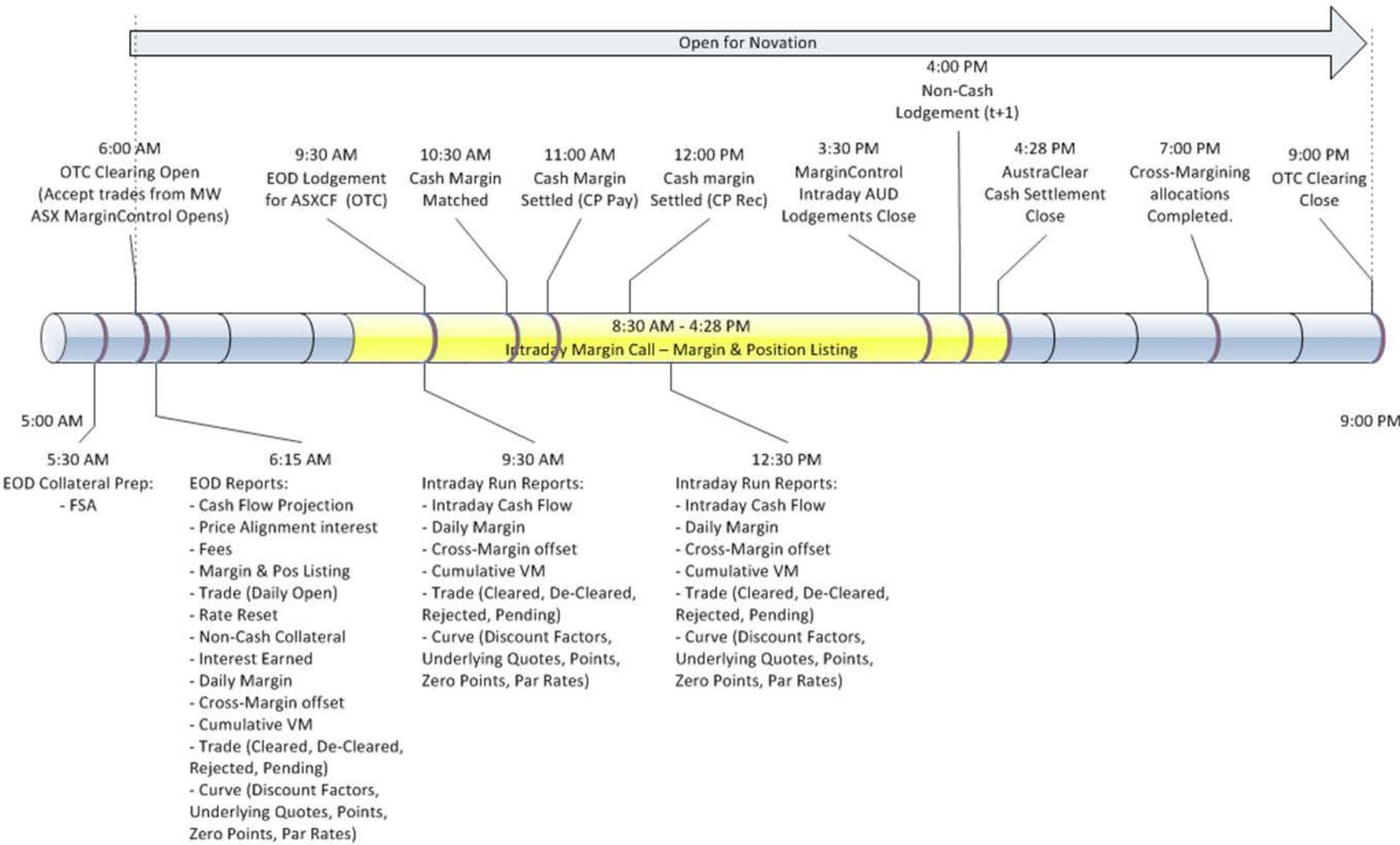
Intraday

Scheduled intraday margin calculations occur throughout each business day for OTC and futures positions (see Intraday Margin Calculation Methodology below), and re-value the positions and collateral held with ASX as well as performing calculations for Initial Margin

requirements. Margin is called where the required margin exceeds A\$100,000 (over and above margin already lodged by the Clearing Participant). Exposure limits are set by ASX to manage these margin call requirements, and Clearing Participants are notified of them by ASX.

Ad-hoc margin runs are triggered by ASX Risk Management in response to stressed or volatile market conditions and margin is called where the required margin call exceeds A\$100,000.

Margin calculations and cash flows – Daily Operational Timeline



End of Day Process

The End of Day process begins at 9:00 pm AEST / AEDT when the ASX OTC Clearing Service closes. This process calculates all relevant margin values and cashflows and which are placed on reports that are made available on the following business day.

Clearing Participants may provide ASX with standing collateral instructions which enable ASX to automatically settle back to a pre-determined amount, or alternatively the Clearing Participant may confirm its actions on the morning of each business day utilising the new ASX Clear (Futures) MarginControl System. Contact ASX for an Operational Guide providing details of this system.

Clearing Participant instructions are provided by 9:00am on the Business Day and the resulting collateral settlements must be Matched in the approved Settlement System (Austraclear for A\$), by 10:30am on the Business day.

Intraday Process

Scheduled margin runs are completed for the ASX OTC Service by 9:30am and 12:30pm on each Business Day that the Clearing House is open. Reporting is made available to Clearing Participants at the end of each scheduled run, regardless of whether a margin call is made.

Ad-hoc margin runs can occur at any time determined by ASX Risk Management.

If ASX Risk Management determines that an intraday margin call is required, ASX will contact the Clearing Participant via phone and provide an emailed report (Margin & Position Listing Report) which identifies the amount that the Clearing Participant needs to settle.

Intraday margin calls must then be settled with \$A cash, within 2 hours of receiving notification.

Other Margin & Extra Margin

ASX Risk Management retains the discretion to call Other Margin or apply Extra Margin at any time in response to situations where the Clearing House and its members are subject to abnormal levels of risk such as stressed and volatile market conditions.

Intraday Margin Calculation Methodology

Intraday (“ID”) OTC margins are comprised of three core components: Variation Margin (“VM”), Initial Margin (“IM”) and Additional Initial Margins (“AIMs”), the last of these being a type of Extra Margin as defined in the OTC Operating Rules and OTC Handbook. ASX reserves the right to call other types of Extra Margin (e.g. in the case of credit concerns about a CP), but historically these cases have been based on quantifying ID exposures faced by ASX from VM, IM or AIMs.

- ID VM is calculated as any excess of the Cumulative Variation Margin (“CVM”) as at the time of the ID measurement over and above the most recent value of CVM settled by the CP (usually the most recent end-of-day margin settlement). CVM is defined as the Net Present Value (“NPV”) of the CP’s cleared portfolio at a particular point in time.

Therefore ID VM is essentially just the portion of the day's total daily VM obligation by a CP that has been realised by the time of the ID measurement. Note that ID VM is only measured in excess of the CVM balance already settled, and therefore that ID VM is only ever charged to a CP, not credited when in their favour. In the case where an ID VM implies a credit to the CP, the calculation and settlement will defer to the next end-of-day calculation and subsequent settlement.

- ID IM is calculated as the incremental IM required by ASX, as at the time of the ID measurement, over and above the most recent value of IM settled by the CP. As with ID VM, incremental ID IM in credit to a CP (because of reduced exposure in the portfolio) is deferred for settlement until the next end-of-day margin settlement cycle. IM for ID settlement is calculated on the same basis as is end-of-day IM, i.e. via an Historical Value at Risk approach for the cleared portfolio.
- ID AIMs are calculated under ASX's Capital Stress Testing regime. Each CP's cleared portfolio is valued under a set of stressed market scenarios, and the worst case incremental exposure against the current portfolio valuation that is in excess of IM already paid in, and is in excess of a Stress Testing Exposure Limit (known as a "STEL") allocated by ASX to each CP is then called intra-day by ASX. Further information on the market scenarios under consideration is under consultation with the Foundation Customer Working Group Risk Subcommittee.

The process for ID monitoring of CP exposures will be based on a regular calculation (approximately hourly) of the cleared OTC and portfolio-margined futures portfolio CVM (i.e. NPV) and IM requirement.