



# ASX RECOVERY RULES

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## SECTION 4 RESIGNATION

### 4.1 Resignation

This Rule 4 sets out the effect of resignation by a Participant on the Participant's obligations under the Recovery Powers.

This Rule 4 prevails over the other provisions of the ASX CCP Rules relating to the resignation of a Participant once a Default Period has commenced.

### 4.2 Resignation Notice

If, during a Default Period, a Participant wishes to resign as a Participant, the Participant must:

- (a) give written notice to the ASX CCP of its intention to resign and the proposed date of resignation (referred to as a **Resignation Notice**); and
- (b) satisfy the ASX CCP that it has taken, or will have taken before the proposed date of resignation, proper steps for the orderly winding down of its business in respect of the ASX CCP; and
- (c) confirm it is not the subject of any disciplinary proceedings or enforcement action within the jurisdiction of the ASX CCP; and
- (d) comply with any reasonable direction of the ASX CCP, if any, in relation to the orderly winding down of its business in respect of the ASX CCP.

A Participant may not provide a Resignation Notice under this Rule 4.2 at any time other than during a Default Period.

### 4.3 Acceptance of Resignation Notice

The ASX CCP will accept a notice of resignation given by a Participant in accordance with the ASX CCP Rules (including a Resignation Notice given under Rule 4.2 above) when the Participant has satisfied each of the following at least 5 Business Days before the end of the Default Period:

- (a) complied with Rule 4.2(b) to (d) (Resignation Notice);
- (b) has no outstanding Contracts or Market Contracts;
- (c) has no obligations (including but not limited to the payment of all fees and any obligations to pay money or deliver an asset) arising directly or indirectly from any Contract or Market Contract under the ASX CCP Rules;
- (d) satisfied all its obligations to the ASX CCP, including but not limited to, having paid all outstanding fees and amounts owing by the Participant under the ASX CCP Rules and all outstanding Recovery Assessments owing by the Participant under the Recovery Rules, and satisfied all technical and operational requirements; and
- (e) confirmed, and the ASX CCP agrees, that it is not the subject of any ongoing disciplinary proceedings or enforcement action within the jurisdiction of the ASX CCP.

Within one Business Day of a written request from a Participant, the ASX CCP will provide notice of acceptance of that Participant's notice of resignation, or reasons why such acceptance cannot be given.

If a Participant has not satisfied each of the requirements set out in this Rule 4.3 by 5 Business Days before the end of the Default Period, the Participant's resignation

will be governed, when there is no Default Period subsisting, by the other provisions of the ASX CCP Rules relating to the resignation of a Participant and not this Rule 4. The Participant's resignation will become effective in accordance with those provisions, subject to the operation of these provisions if another Default Period commences.

#### **4.4 Effectiveness of resignation**

A resignation which has not become effective before the commencement of a Default Period cannot become effective until the end of the Default Period and is subject to the Recovery Rules (including this Rule 4), even if the ASX CCP accepts a notice of resignation given by a Participant in accordance with the ASX CCP Rules (including a Resignation Notice) before, or during, the Default Period.

Upon acceptance of a Participant's notice of resignation in accordance with Rule 4.3, the Participant's resignation will become effective on the last day of the Default Period. The ASX CCP will notify the Participants when a Participant's resignation becomes effective.

#### **4.5 Certain obligations to continue**

Neither the acceptance by the ASX CCP of the Participant's Resignation Notice, nor the effectiveness of the Participant's resignation, affects any accrued rights which the ASX CCP, a Related Body Corporate of the ASX CCP, or other Participants have against the Participant or any accrued obligations which the Participant has to the ASX CCP, a Related Body Corporate of the ASX CCP or to other Participants.

Without limiting the previous paragraph, after a Participant's resignation becomes effective:

- (a) the ASX CCP Rules continue to apply and the ASX CCP will continue to have jurisdiction in respect of the Participant concerning any conduct or any failure to comply with the ASX CCP Rules which occurred before the resignation becomes effective, whether that conduct or failure was by the Participant or by any other person for whose conduct the Participant was responsible;
- (b) the Participant continues to be bound by any indemnity given by the Participant under the ASX CCP Rules; and
- (c) other ASX CCP Rules continue to apply in respect of the Participant to the extent required to give effect to Rules 4.5(a) and (b) above.

#### **4.6 Effect of resignation on Recovery Assessment**

The ASX CCP may not request a Recovery Assessment from an entity which has resigned from being a Participant after its resignation has taken effect.

If the ASX CCP reasonably believes that one or more Recovery Assessments may be made in respect of one or more Defaults in a Default Period then the ASX CCP may retain any amounts it determines to cover those Recovery Assessments from any amounts which would otherwise be payable by it to the resigning Participant. If the ASX CCP determines that these amounts are no longer needed, then it will pay them to the entity which resigned as a Participant (without being obliged to pay any additional amounts for the delay in payment of those amounts).

#### 4.7 Effect of resignation on ASX Payments Reduction

As resignation may only take effect once a Participant has no outstanding Contracts or Market Contracts, and the ASX Payments Reduction applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to ASX Payments Reduction.

#### 4.8 Effect of resignation on Partial Termination

As resignation may only take effect once a Participant has no outstanding Contracts or Market Contracts, and the Partial Termination applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to Partial Termination.

#### 4.9 Effect of resignation on Complete Termination

As resignation may only take effect once a Participant has no outstanding Contracts or Market Contracts, and Complete Termination applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to Complete Termination.

#### 4.10 ~~4.10~~ Effect of resignation on Replenishment

The ASX CCP may not request

- (a) an Interim Participant Replenishment Amount (as defined in Paragraph 4 (Allocation of interim commitments to Participants) of Schedule 5) from a Participant at any time after the Participant's resignation notice has been accepted by the ASX CCP in accordance with Rule 4.3 (Acceptance of Resignation Notice), even though the resignation of the Participant will not become effective until the end of the relevant Default Period in accordance with Rule 4.4 (Effectiveness of Resignation) (referred to as a **Resigning Participant**); and
- (b) ~~a~~ a Participant Replenishment Amount from a Participant whose resignation was effective at the end of the Default Period which immediately preceded the call of the Participant Replenishment Amount.

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# ASX RECOVERY RULES

## SECTION 7 CONSULTATION

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## SECTION 7 CONSULTATION

### 7.1 Reserve Bank of Australia

The ASX CCP will consult with the Reserve Bank of Australia with respect to the exercise of the ASX CCP's Recovery Powers.

### 7.2 Risk Committee

The ASX CCP will consult with its Risk Committee to the extent reasonably practicable:

- (a) with respect to the use of the rights and policies set out in Schedule 2 (ASX Payments Reduction) if:
  - (i) the aggregate amount of reductions to Net ASX Payments which have been effected during a Default Period exceeds the amount specified for this purpose in the Recovery Handbook; or
  - (ii) the Reduction Period exceeds 7 Business Days; and
- (b) in connection with the exercise of its rights or powers set out in Rule 11 (Voluntary Payments) before it invites any Participant to make a Voluntary Payment; and
- (c) in connection with the exercise of its rights or powers set out in Schedules 3 (Partial Termination) or 4 (Complete Termination) before it exercises such rights or powers; and
- (d) in connection with determining the Contracts which are to be terminated in accordance with Schedule 3 (Partial Termination) before it terminates the relevant Contracts; and
- (e) in connection with the calculation of Termination Values for the purpose of Schedules 3 (Partial Termination) or 4 (Complete Termination) before notifying Participants of the relevant Net Termination Value; and
- ~~(f)~~ in connection with the annual review of the Minimum Interim Default Fund Amount for the purposes of Schedule 5 (Replenishment); and
- ~~(g)~~ in connection with the annual review of the Maximum Total Interim Participant Replenishment Amount for the purposes of Schedule 5 (Replenishment); and
- ~~(h)~~ in connection with the exercise of its rights and powers set out in Rule 3 of Schedule 5 (Replenishment) except where there has been a further Default during the Default Period which results in an Interim Default Fund Shortfall; and
- ~~(i)~~ in connection with the amount of the Total Replenishment Amount to be determined in accordance with Schedule 5 (Replenishment) before calling for Participants to pay their Participant Replenishment Amounts; and
- ~~(j)~~ in connection with any calculation of a Default Fund Increase in accordance with Schedule 5 (Replenishment) before calling for Additional Participant Commitments; and
- ~~(k)~~ in connection with the exercise of its rights or powers set out in Rule 10 (Voluntary Wind-Down) before exercising such rights or powers; and
- ~~(l)~~ in connection with the annual review of the Investment Loss Threshold in accordance with Rule 6.2.

However, the ASX CCP is not required to consult with its Risk Committee where it has been directed to exercise or not exercise any right or power, or take or not take any action, in connection with a Default or these Recovery Rules by a governmental or regulatory entity or department.

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## **SCHEDULES TO ASX RECOVERY RULES**

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# SCHEDULE 1 – RECOVERY ASSESSMENT

*This Schedule sets out the Recovery Assessment powers of the ASX CCP. Rule 3.2 (Conditions to Recovery Assessment) sets out when these powers may be exercised by the ASX CCP.*

## 1 Participant's Proportion

In these Recovery Rules, the **Proportion** attributable to a Participant is equal to the proportion which:

- (a) if the ASX CCP is ASX Clear, the Participant's most recently calculated quarterly average daily Initial Margin (referred to as **Quarterly Initial Margin**) bears to the sum of the most recently calculated Quarterly Initial Margin in respect of all Participants, other than those Participants which have Defaulted in the Default Period. For the purpose of this calculation, **Initial Margin** is the amount of money determined by the ASX CCP as the initial margin for a Contract; and
- (b) if the ASX CCP is ASX Clear (Futures), the Participant's most recently calculated Participant Commitment bears to the sum of the most recently calculated Participant Commitment in respect of all Participants, other than those Participants which have Defaulted in the Default Period.

## 2 The ASX CCP's determination of Total Recovery Assessment

At any time during a Default Period, if the ASX CCP determines that recovery assessments are to be paid then it must determine the amount of recovery assessments which is required to be paid at that time (**Total Recovery Assessment**). Such a determination may be made more than once during a Default Period.

## 3 Recovery Assessment due from each Participant

If the ASX CCP determines that a Total Recovery Assessment is to be paid, then it must calculate and notify each Participant (other than a Participant who is a Defaulted Participant at that time of this determination) of the Participant's Proportion of the Total Recovery Assessment and the time by which the Participant's Proportion of the Total Recovery Assessment is payable (which must be no later than the time specified in the Recovery Handbook on the next Business Day after the notice is given).

A Participant's Proportion of a Total Recovery Assessment is that Participant's **Recovery Assessment**.

The ASX CCP may demand the payment of a Recovery Assessment irrespective of the other assets that are or may be available to enable the ASX CCP to meet an ASX CCP Loss.

## 4 Payment of Recovery Assessment

Each Participant must pay each of its Recovery Assessments by the time specified by the ASX CCP in the relevant notice given to the Participant under Paragraph 3.

However, a Participant is not obliged to pay a Recovery Assessment during a Default Period to the extent that the Participant's aggregate Recovery Assessment for the Default Period exceeds:

- (a) if the ASX CCP is ASX Clear, the Participant's ASX Clear Maximum Assessment. A Participant's **ASX Clear Maximum Assessment** is the amount equal to the Participant's proportion of the **ASX Clear Assessment Cap** (which is \$300 million). This proportion is to be calculated on the same basis as the Participant's Proportion, except that the sum of the Quarterly Initial Margin in respect of all Participants is not to include the two Participants with the highest Quarterly Initial Margin. If the ASX CCP is ASX Clear, the ASX CCP will calculate and notify each Participant of the Participant's most recently calculated ASX Clear Maximum Assessment in the manner specified in the Recovery Handbook;
- (b) if the ASX CCP is ASX Clear (Futures):
- (i) if there is only a single Defaulted Participant during the Default Period, the Participant Commitment at the time which the Default Period commenced; and
  - (ii) if there is more than one Defaulted Participant during the Default Period, an amount equal to three times the Participant Commitment of the Participant at the time at which the Default Period commenced,

(the maximum amount payable by a Participant under Paragraph 4(b)(i) or (ii) being the **ASX Clear (Futures) Maximum Assessment**).

The ASX CCP will review the ASX Clear Assessment Cap and the ASX Clear (Futures) Maximum Assessment (as applicable) in accordance with the annual review of financial resources conducted under the ASX CCP Rules.

## 5 Nature of Recovery Assessment

A Recovery Assessment:

- (a) is a debt due and payable to the ASX CCP by the relevant Participant; and
- (b) must be paid in cash, in immediately available funds; and
- (c) received by the ASX CCP is the ASX CCP's absolute legal and beneficial property.

The ASX CCP is not required to pay interest to a Participant in respect of any Recovery Assessment.

## 6 Application of Recovery Assessment

A Recovery Assessment paid in connection with a Default Period cannot be applied by the ASX CCP to discharge, or to compensate the ASX CCP for discharging, obligations other than those referable to an ASX CCP Loss which arises in that Default Period.

## SCHEDULE 2 – ASX PAYMENTS REDUCTION

*This Schedule sets out the ASX Payments Reduction powers of the ASX CCP. Rule 3.3 (Conditions to ASX Payments Reduction) sets out when these powers may be exercised by the ASX CCP.*

### 1 ASX Payments and ASX Receipts

All amounts payable by the ASX CCP under the ASX CCP Rules (including, but not limited to, Variation Margin and amounts payable under these Recovery Rules) other than:

- (a) amounts of Initial Margin, additional margin and Excess Cash; and
- (b) amounts payable in connection with default management, including amounts payable with respect to any DM Auction but excluding variation margin forming part of a default management payment; and
- (c) Net Termination Values payable by the ASX CCP under Schedule 3 (Partial Termination); and
- (d) Net Termination Values payable by the ASX CCP under Schedule 4 (Complete Termination),

are referred to as **ASX Payments**. Amounts of an equivalent type to ASX Payments which are payable to the ASX CCP are referred to as **ASX Receipts**.

### 2 Net ASX Receipts, Net ASX Payments, Net Participant ASX Receipts and Net Participant ASX Payments

The ASX CCP will calculate, in respect of each Account (excluding any Account of a Defaulted Participant) on any day during the Default Period, the net amount of:

- (a) ASX Receipts payable to the ASX CCP in respect of the Account on that day (such amounts having a positive value); and
- (b) ASX Payments payable by the ASX CCP in respect of the Account on that day (excluding the effect of any reduction for that day) (such amounts having a negative value).

If the net amount calculated in respect of an Account is:

- (i) positive, the net amount is payable to the ASX CCP and is referred to as a **Net ASX Receipt**; or
- (ii) negative, the net amount is payable by the ASX CCP and is referred to as a **Net ASX Payment**.

The ASX CCP will then calculate, in respect of each Participant (excluding any Defaulted Participant), the net amount of Net ASX Receipts and Net ASX Payments across all the Participant's Accounts.

If the net amount calculated in respect of a Participant is positive, that amount is referred to as a **Net Participant ASX Receipt**. If the net amount calculated in respect of a Participant is negative, that amount is referred to as a **Net Participant ASX Payment**.

*Explanatory Note: the netting which is described under this Paragraph is for calculation purposes only and does not, of itself, alter the payment obligations between the Participants and the ASX CCP.*

### 3 ASX Payment Shortfall

The ASX CCP will calculate the ASX Payment Shortfall. The **ASX Payment Shortfall** for a day (if any) is an amount equal to the greater of zero and:

- (a) the absolute value of the aggregate amount of Net ASX Payments on that day  
*minus*
- (b) the sum of:
  - (i) the aggregate amount of Net ASX Receipts which are received by the ASX CCP on that day; and
  - (ii) the amount of then available Default Resources, if any, which the ASX CCP determines will be used to make Net ASX Payments on that day. This amount is determined by the ASX CCP in its absolute discretion and may be zero, whether or not any Default Resources are available at that time.

### 4 Allocation of ASX Payment Shortfall to reduce Net ASX Payments

On any day, the ASX CCP may choose to allocate the ASX Payment Shortfall for that day to reduce Net ASX Payments payable by it on that day.

The ASX Payment Shortfall will be allocated to those Participants (other than Defaulting Participants) in respect of which a Net Participant ASX Payment has been calculated, pro-rata to the Net Participant ASX Payments with respect to each such Participant.

The amount of the ASX Payment Shortfall which is allocated to a Participant will be allocated to reduce each Net ASX Payment to be made to that Participant on a pro-rata basis. Payment of the reduced amount of a Net ASX Payment by the ASX CCP discharges in full its obligations in respect of that Net ASX Payment.

For the purpose of making these calculations, the ASX CCP may make any currency conversions which it considers necessary, provided that they are made in a commercially reasonable manner.

These Rules do not govern the manner in which a Participant may choose to deal with its Clients in relation any reductions which are attributable to, or made in respect of, Net ASX Payments otherwise to be made to the Participant's Client Account.

### 5 Notification

On any day the ASX CCP will use its best endeavours to notify Participants of any reduction it anticipates that it will make. The ASX CCP will notify Participants of any reduction made to Net ASX Payments under this Schedule and any adjustment to the notification, if any, it previously gave Participants in respect of such reductions. However, any failure to provide a notice described in this Paragraph does not affect the reduction or otherwise affect the operation of this Schedule.

### 6 Timing

The ASX CCP will calculate reductions to be made under this Schedule, and effect those reductions, at the time specified in the Recovery Handbook on each day on which the ASX CCP chooses to exercise its rights and powers under this Schedule. If the ASX CCP has not received all of the ASX Receipts which were payable to it on

a day by the time that it is to make its anticipated Net ASX Payments (as reduced in accordance with this Schedule) then the ASX CCP is to recalculate the ASX Payment Shortfall, its allocation and the reduced Net ASX Payments based on the ASX Receipts which it has received at that time. However, the ASX CCP may also calculate, or effect, those reductions or make any Net ASX Payment at any other time during the day, if it considers it necessary to do so.

If it considers it necessary to do so, the ASX CCP can calculate and make reductions under this Schedule by reference to the ASX Payments and the ASX Receipts for a particular settlement cycle which runs during a day rather than by reference to the ASX Payments and the ASX Receipts for the entire day.

## 7 Cumulative calculation

The period which:

- (a) commences from (and includes) the first day in the Default Period on which the ASX CCP reduced a Net ASX Payment; and
- (b) concludes on (and includes) the day that the ASX CCP has determined that it will not make any further reductions to Net ASX Payments under this Schedule in respect of the Default Period,

is referred to as the **Reduction Period**.

Any determination by the ASX CCP of the conclusion of a Reduction Period does not affect the ASX CCP's ability to subsequently determine further Reduction Periods in respect of the same Default Period.

Within one Business Day of the last day of the Reduction Period, the ASX CCP will calculate, in respect of each Participant (other than any Defaulted Participant):

- (i) the net amount which would have been paid (expressed as a positive amount) or received (expressed as a negative amount) by the Participant during the Reduction Period if Paragraphs 2 (Net ASX Receipts, Net ASX Payments, Net Participant ASX Receipts and Net Participant ASX Payments), 3 (ASX Payment Shortfall) and 4 (Allocation of ASX Payment Shortfall to reduce Net ASX Payments) had been applied to all the Participant's ASX Payments and ASX Receipts during the Reduction Period as if the Reduction Period were a single day. This amount is referred to as the **Expected Amount** for the Participant;
- (ii) the net sum of:
  - (A) amounts paid by the Participant to the ASX CCP (such amounts having a positive value); and
  - (B) amounts paid by the ASX CCP to the Participant (such amounts having a negative value),
 during the Reduction Period. This net sum is referred to as the **Actual Amount**, and
- (iii) the Expected Amount less the Actual Amount. This is referred to as the **Adjustment Amount**.

In respect of each Participant, the Adjustment Amount so determined may be positive (if the Expected Amount exceeds the Actual Amount), negative (if the Actual Amount exceeds the Expected Amount) or zero.

The ASX CCP will notify each Participant of its Expected Amount, Actual Amount and Adjustment Amount.

If the Adjustment Amount is positive then that amount is payable by the Participant to the ASX CCP. If the Adjustment Amount is negative then the absolute value of that amount is payable by the ASX CCP to the Participant. Such amounts must be paid by the time specified in the notice to the Participant, which will be no earlier than the next following Business Day.

If a Participant fails to pay any amounts due to the ASX CCP by the time specified in the notice from the ASX CCP then that Participant is in Default and the payments of Adjustment Amounts will be suspended (and any such payments made are to be reversed) and the exercise of the rights and powers under this Schedule will continue until the ASX CCP determines once more that it will not make any further reductions to Net ASX Payments under this Schedule in respect of the Default Period.

## **8 No adjustment to amounts payable to the ASX CCP**

Nothing in this Schedule affects any Net ASX Receipt or any other amount which is payable to the ASX CCP by a Participant on any day. All such amounts payable to the ASX CCP must be paid in full in accordance with the ASX CCP Rules.

## SCHEDULE 3 – PARTIAL TERMINATION

*This Schedule sets out the Partial Termination powers of the ASX CCP. Rule 3.4 (Conditions to Partial Termination) sets out when these powers may be exercised by the ASX CCP.*

### 1 Termination of Contracts

The ASX CCP must determine the Contracts of the Participants which are not Defaulting Participants which are to be terminated in accordance with this Schedule. However, in making this determination, the ASX CCP must use best endeavours to:

- (a) select the minimum number of Contracts which it believes are necessary in order for it to restore a Matched Book; and
- (b) select the Contracts to be terminated so that:
  - (i) the Contracts to be terminated are shared between the Participants who held those types of Contracts on a pro-rata basis (to the extent practicable). The pro-rata determination is to be made by reference to the net position in the relevant Contracts held by a Participant across its Accounts (including its Client Account); and
  - (ii) each Participant is given an opportunity to agree with the ASX CCP which of its Contracts are to be terminated (and if the ASX CCP and the Participant so agree, the Contracts which the Participant and the ASX CCP so agree are to be terminated) but if:
    - (A) the Participant does not submit to the ASX CCP a valid allocation of its Contracts which are to be terminated within the timeframe set by the ASX CCP; or
    - (B) the termination of Contracts set out in the allocation submitted by the Participant would increase the ASX CCP's uncollateralised exposure to the Participant to an extent that is unacceptable to the ASX CCP in its absolute discretion,
 then the ASX CCP is to select that Participant's Contracts on a pro-rata basis across the Participant's Accounts (including its Client Account).

The ASX CCP must notify the Participants holding the Contracts which have been selected for termination and the time at which the termination is to take effect. The obligations of the ASX CCP and the Participant under the Contract terminate at the time notified.

### 2 Termination Value

Following the termination of the obligations under a Contract in accordance with Paragraph 1 (Termination of Contracts), the ASX CCP must calculate a value for those terminated obligations. This value for the terminated obligations under a Contract is referred to as the **Termination Value**.

The ASX CCP is to calculate the Termination Value in good faith, in a commercially reasonable manner, in compliance with all applicable laws and in a manner which is consistent with the ASX CCP's applicable pricing protocols. However, if the ASX CCP cannot determine the Termination Value in accordance with its applicable pricing protocols, or believes that a Termination Value determined in accordance with the applicable pricing protocols would not produce a commercially reasonable

result then the ASX CCP is to calculate the Termination Value by taking into account:

- (a) the amount of trading losses or costs incurred and trading gains realised by the ASX CCP in connection with any transactions which it enters into in order to terminate, close-out, offset, hedge, reduce the risk of, transfer or liquidate part of its exposures in connection with the terminated Contracts; and
- (b) the ASX CCP's valuations of the terminated Contracts and any transactions referred to in (a) taking into account their terms, including any payments or deliveries which would have been required under them after that date, and any option rights in relation to them. For this purpose, the ASX CCP may consider any relevant information, including:
  - (i) relevant quotations (firm or indicative) and relevant market data supplied by one or more third parties (including relevant prices and other market data provided by another exchange, market or clearing house); or
  - (ii) such quotations and market data from internal sources (including pricing or other valuation models) which are, at that time, used by the ASX CCP or Participants in the regular course of their business for the valuation of similar transactions; and
- (c) with respect to each terminated Contract, all amounts which became due and which remain unpaid by the Participant to the ASX CCP on or before the date on which the Contracts were terminated.

The Termination Value so determined may be positive (if it is owing by the Participant to the ASX CCP), negative (if it is owing to the Participant by the ASX CCP) or zero. The Termination Value of obligations which cannot be valued by the ASX CCP, and for obligations under Cash CCP Transactions, is to be zero.

The determination by the ASX CCP of the Termination Value is final and binding on the ASX CCP, Participants and each other person affected by the determination.

The ASX CCP and each Participant acknowledge that each Termination Value is a genuine pre-estimate of the loss or damages which the Participant or the ASX CCP will suffer from the termination of a Contract under this Schedule.

### 3 Net Termination Value

Following the calculation of the Termination Values with respect to the Contracts of a Participant which have been terminated in accordance with this Schedule, the Termination Values with respect to Contracts held in the same Account will be netted, producing a single net amount payable between the ASX CCP and the Participant with respect to that Account. This amount is referred to as the **Net Termination Value**.

### 4 Payment of Net Termination Value

If the Net Termination Value is positive then that amount is payable by the Participant to the ASX CCP on the day on which it is notified to the Participant by the ASX CCP. If the Net Termination Value is negative then the absolute value of that amount is payable by the ASX CCP to the Participant on the day on which it is notified to the Participant by the ASX CCP.

The ASX CCP will account for this amount payable by debiting or crediting the Net Termination Value to the Participant's relevant Account.



## **5 Transition to Completion Termination**

If the ASX CCP determines in accordance with Rule 3.5 (Conditions to Complete Termination) that it may exercise the rights and powers set out in Schedule 4 (Complete Termination), then the ASX CCP must terminate all Contracts of all Participants in accordance with Schedule 4 (Complete Termination) and this Schedule 3 will cease to have effect.

## SCHEDULE 4 – COMPLETE TERMINATION

*This Schedule sets out the Complete Termination powers of the ASX CCP. Rule 3.5 (Conditions to Complete Termination) sets out when these powers may be exercised by the ASX CCP.*

### 1 Termination of Contracts

If the ASX CCP has determined that all Contracts which all Participants have with the ASX CCP are to be terminated then it must notify the Participants of the time at which the termination is to take effect.

The obligations of each of the ASX CCP and the Participant under each of the Contracts are terminated from the time specified in the notice and the registration of the Contracts is to be cancelled.

### 2 Termination Value

Following the termination of the obligations under the Contracts in accordance with Paragraph 1 (Termination of Contracts), the ASX CCP must calculate a value for those terminated obligations. This value for the terminated obligations under a Contract is referred to as the **Termination Value**.

The ASX CCP is to calculate the Termination Value in good faith, in a commercially reasonable manner, in compliance with all applicable laws and in a manner which is consistent with the ASX CCP's applicable pricing protocols. However, if the ASX CCP cannot determine the Termination Value in accordance with its applicable pricing protocols, or believes that a Termination Value determined in accordance with the applicable pricing protocols would not produce a commercially reasonable result then the ASX CCP is to calculate the Termination Value by taking into account:

- (a) the amount of trading losses or costs incurred and trading gains realised by the ASX CCP in connection with any transactions which it enters into in order to terminate, close-out, offset, hedge, reduce the risk of, transfer or liquidate part of its exposures in connection with the terminated Contracts; and
- (b) the ASX CCP's valuations of the terminated Contracts and any transactions referred to in (a) taking into account their terms, including any payments or deliveries which would have been required under them after that date, and any option rights in relation to them. For this purpose, the ASX CCP may consider any relevant information, including:
  - (i) relevant quotations (firm or indicative) and relevant market data supplied by one or more third parties (including relevant prices and other market data provided by another exchange, market or clearing house); or
  - (ii) such quotations and market data from internal sources (including pricing or other valuation models) which are, at that time, used by the ASX CCP or Participants in the regular course of their business for the valuation of similar transactions; and
- (c) with respect to each terminated Contract, all amounts which became due and which remain unpaid by the Participant to the ASX CCP on or before the date on which the Contracts were terminated.

The Termination Value so determined may be positive (if it is owing by the Participant to the ASX CCP), negative (if it is owing to the Participant by the ASX

CCP) or zero. The Termination Value of obligations which cannot be valued by the ASX CCP, and for obligations under Cash CCP Transactions, is to be zero.

The determination by the ASX CCP of the Termination Value is final and binding on the ASX CCP, Participants and each other person affected by the determination.

The ASX CCP and each Participant acknowledge that each Termination Value is a genuine pre-estimate of the loss or damages which the Participant or the ASX CCP will suffer from the termination of a Contract under this Schedule.

### 3 Net Termination Value

Following the calculation of the Termination Values with respect to the Contracts of a Participant which have been terminated in accordance with this Schedule, the Termination Values with respect to Contracts held in the same Account will be netted, producing a single net amount payable between the ASX CCP and the Participant with respect to that Account. This amount is referred to as the **Net Termination Value**.

### 4 Payment of Net Termination Value

If the Net Termination Value is positive then that amount is payable by the Participant to the ASX CCP on the day on which it is notified to the Participant by the ASX CCP. If the Net Termination Value is negative then the absolute value of that amount is payable by the ASX CCP to the Participant on the day on which it is notified to the Participant by the ASX CCP.

The ASX CCP will account for this payment by debiting or crediting the Net Termination Value to the Participant's relevant Account.

### 5 Calculation of Complete Termination Payment and Net Termination Value Shortfall

The ASX CCP will calculate:

- (a) in respect of each Participant, the net amount of Net Termination Values across all the Participant's Accounts. If the net amount calculated in respect of a Participant is positive, that amount is referred to as a **Complete Termination Receipt**. If the net amount calculated in respect of a Participant is negative, that amount is referred to as a **Complete Termination Payment**; and
- (b) the Net Termination Value Shortfall. The **Net Termination Value Shortfall** (if any) is an amount equal to the greater of zero and:
  - (i) the absolute value of the aggregate amount of Net Termination Values payable by the ASX CCP under this Schedule  
*minus*
  - (ii) the sum of:
    - (A) the aggregate amount of amounts paid to the ASX CCP with respect to the termination of Contracts conducted in accordance with this Schedule 4; and
    - (B) the amount of then available Default Resources (if any).

*Explanatory Note: the netting which is described under this Paragraph is for calculation purposes only and does not, of itself, alter the payment obligations between the Participants and the ASX CCP.*

## 6 Reductions to Net Termination Values

If there is a Net Termination Value Shortfall:

- (a) the ASX CCP will allocate the Net Termination Value Shortfall to reduce Net Termination Values payable by it;
- (b) the Net Termination Value Shortfall will be allocated to those Participants in respect of which a Complete Termination Payment has been calculated, pro-rata to the Complete Termination Payments with respect to each such Participant; and
- (c) the amount of the Net Termination Value Shortfall which is allocated a Participant will be allocated to reduce each Net Termination Value to be made to that Participant on a pro-rata basis.

Payment of the reduced amount of a Net Termination Value by the ASX CCP discharges in full its obligations in respect of that Net Termination Value.

## SCHEDULE 5 – REPLENISHMENT

*This Schedule sets out the Replenishment powers of the ASX CCP. Rule 3.6 (Conditions to Replenishment) sets out when these powers may be exercised by the ASX CCP.*

### **PART A**

This Part A is applicable only during a Default Period from and including its DMP Completion Date to but not including its End Date. It is not applicable at other times.

#### **1 Interim calculation of remaining Default Fund**

Within 24 hours of a DMP Completion Date, the ASX CCP is to calculate the amount of the Default Fund (if any) which is still available in accordance with the Default Waterfall to meet ASX CCP Loss.

If the remaining amount of the Default Fund is less than the Minimum Interim Default Fund Amount then the difference is referred to as the **Interim Default Fund Shortfall**. The **Minimum Interim Default Fund Amount** is:

- (a) if the ASX CCP is ASX Clear, \$37.5 million; and
- (b) if the ASX CCP is ASX Clear (Futures), \$100 million.

These Minimum Interim Default Fund Amounts are subject to annual review by the ASX CCP in consultation with the Risk Committee.

*Note: This provision requires the calculation of any shortfall in the remaining default fund against the minimum amount needed after each DMP Completion Date. A shortfall triggers the following interim replenishment obligations below during the Default Period.*

#### **2 Interim commitments by the ASX CCP**

If an Interim Default Fund Shortfall has been calculated then, as soon as reasonably practicable after the immediately previous DMP Completion Date, as determined by the ASX CCP, including within one Business Day where that is reasonably practical, the ASX CCP is to commit assets of a value equal to the Interim Default Fund Shortfall to the Default Fund (the amount so committed is referred to as an **ASX CCP Interim Replenishment Amount**).

However, the aggregate ASX CCP Interim Replenishment Amounts required to be committed by the ASX CCP during a Default Period must not exceed the **Maximum ASX CCP Interim Replenishment Amount**, which is equal to the Minimum Interim Default Fund Amount.

At any other time the ASX CCP may, but is not obliged to, commit further assets to be included as an ASX CCP Interim Replenishment Amount and in the Default Fund.

*Note: This provision requires the ASX CCP to commit an interim amount if there has been a DMP Completion Date and an interim shortfall, subject to a maximum amount. It also allows for voluntary contributions and further contributions if there are further defaults because paragraph 1 will then apply.*

#### **3 Interim commitments by the Participants**

If:

- (a) the ASX CCP has committed aggregate ASX CCP Interim Replenishment Amounts which are at least equal to the Maximum ASX CCP Interim Replenishment Amount; and

- (b) a DMP Completion Date has occurred for all outstanding Defaults of Participants; and
- (c) the End Date for the Default Period has not occurred,

then the ASX CCP may, in its reasonable discretion, call Participants to make a contribution of assets to the Default Fund. The ASX CCP is to determine, in its reasonable discretion, the total amount which Participants are required to provide to the Default Fund (this is referred to as the **Total Interim Participant Replenishment Amount**) and the ASX CCP may call for more than one Total Interim Participant Replenishment Amount. However, the aggregate amounts provided by Participants to the Default Fund during a Default Period cannot exceed a **Maximum Total Interim Participant Replenishment Amount** of \$37.5 million (if the ASX CCP is ASX Clear) and \$100 million (if the ASX CCP is ASX Clear (Futures)). The Maximum Total Interim Participant Replenishment Amount is subject to annual review by the ASX CCP in consultation with the Risk Committee.

*Note: This provision allows the ASX CCP to request contributions from participants if the ASX CCP has made its maximum interim commitment. However, these requests are subject to a maximum limit.*

#### **4 Allocation of interim commitments to Participants**

If the ASX CCP calculates a Total Interim Participant Replenishment Amount then it must allocate that amount to each Participant (excluding Defaulting Participants and Resigning Participants from the calculation). The amount allocated to each Participant (referred to as the Participant's **Interim Participant Replenishment Amount**) is to be made so that:

- (a) during a Default Period, no Participant is allocated such amounts which, in total, exceed its Maximum Interim Participant Replenishment Amount; and
- (b) the allocation between Participants is made so that the relative proportions between the Participants (excluding Defaulting Participants and Resigning Participants) of the amount so allocated is equal to the relative proportions amongst them of their Maximum Interim Participant Replenishment Amounts.

The **Maximum Interim Participant Replenishment Amount** for a Participant is:

- (i) if the ASX CCP is ASX Clear, the ASX Clear Maximum Assessment which could have been called from the Participant during the current Default Period; and
- (ii) if the ASX CCP is ASX Clear (Futures) the sum of the Futures Commitment and the OTC Commitment of the Participant at the commencement of the current Default Period (if any).

*Note: This provision requires the ASX CCP to allocate the total amount which Participants are required to contribute to each Participant and sets out the limits applicable.*

#### **5 Call for Interim Participant Replenishment Amount**

By notice to a Participant, the ASX CCP may require the Participant to pay an Interim Participant Replenishment Amount which has been allocated to it. The notice must specify the time within which the Participant must pay the Interim Participant Replenishment Amount, provided that the time must be no sooner than 5 Business Days after the time at which notice is given to the Participant.

However, if there is an Interim Default Fund Shortfall on a DMP Completion Date such that the ASX CCP is entitled to call an Interim Participant Replenishment

Amount from Participants then the ASX CCP may require payment by a Participant by giving whatever notice the ASX CCP decides subject to a minimum of not less than one Business Day.

An Interim Participant Replenishment Amount called in accordance with this Schedule is a debt due and payable to the ASX CCP by the relevant Participant. Each Interim Participant Replenishment Amount must be paid by the time it is due, in cash, in immediately available funds.

*Note: This provision requires Participants to pay their interim contributions within a time period of not less than one Business Day if the call is made at the end of a default management process. If it is made afterwards, then the requirement is to pay within a time period of not less than 5 Business Days.*

## **6 Treatment of Interim Participant Replenishment Amounts**

An Interim Participant Replenishment Amount paid by a Participant to the ASX CCP is:

- (a) the absolute and beneficial property of the ASX CCP; and
- (b) to be treated as the provision of Participant Commitment by that Participant for the purpose of the ASX CCP Rules, including for the purpose of absorbing any ASX CCP Loss which may arise:
  - (i) as a result of the Default of a Participant (including that Participant) after the date on which the Interim Participant Replenishment Amount was requested by the ASX CCP but on or before the End Date of the Default Period in which that Interim Participant Replenishment Amount was requested by the ASX CCP. In such circumstances, any Interim Participant Replenishment Amount may only be applied in accordance with Paragraph 7 (Application of Interim Replenishment Amounts); or
  - (ii) in respect of future Default Periods, in accordance with Part B; and
- (c) not available to meet any ASX CCP Loss which arose during a previous Default Period.

*Note: This provision sets out how contributions are dealt with. The specification of the paragraph 7 waterfall as being the only means of application means that juniorisation would not be applicable.*

## **7 Application of Interim Replenishment Amounts**

Any ASX CCP Loss which arises as a result of the Default of a Participant during the period that this Part A applies are to be allocated in the following order:

- (a) first, to any Interim Participant Replenishment Amounts of any Defaulting Participants and any other moneys, securities, collateral or property held by the ASX CCP in respect of any Defaulting Participants; and
- (b) second, to any remaining amount of Default Fund, excluding all Interim Participant Replenishment Amounts and ASX CCP Interim Replenishment Amounts available to the ASX CCP; and
- (c) third, to the total ASX CCP Interim Replenishment Amounts committed by the ASX CCP during that Default Period; and
- (d) fourth, to the Interim Participant Replenishment Amounts of Participants, other than any Defaulting Participants, paid during that Default Period

At the End Date, any remaining amounts referred to in (b), (c) or (d) above are to be included in the replacement Default Fund in accordance with Part B of this Schedule.

This Paragraph 7 does not limit:

- (i) the applications of Paragraph 15 (Future application of Default Waterfall) and 16 (Scaling to meet regulatory requirements) of this Schedule; or
- (ii) the future obligations to provide Participant Commitment in accordance with the ASX CCP Rules.

Note: This provision sets out how commitments from the ASX CCP and contributions from Participants are applied to meet ASX Losses.

## **PART B**

This Part B is applicable on and after the End Date of a Default Period before the commencement of another Default Period.

### **18 Utilised Participant Commitment and Utilised ASX CCP Commitment**

At or after the end of a Default Period (but before another Default Period commences), the ASX CCP is to calculate each of the following:

- (a) the aggregate amount of the Committed ASX Assets which ~~was~~ has been applied to meet the ASX CCP Loss in accordance with the Default Waterfall during the ~~previous Default Period. This immediately prior Default Period,~~ without including any **Applied ASX CCP Interim Replenishment Amount** which is the aggregate ASX CCP Interim Replenishment Amounts applied during that Default Period in accordance with Paragraph 7 (Application of Interim Replenishment Amounts). This aggregate amount is referred to as the **Utilised ASX CCP Commitment**; and
- (b) the aggregate amount of Participant Commitment which ~~was~~ has been applied to meet the ASX CCP Loss in accordance with the Default Waterfall during the ~~previous Default Period. This immediately prior Default Period,~~ without including any **Applied Interim Participant Replenishment Amount** which is the aggregate Interim Participant Replenishment Amounts applied during that Default Period in accordance with Paragraph 7 (Application of Interim Replenishment Amounts). This aggregate amount is referred to as the **Utilised Participant Commitment**.

The sum of the Utilised ASX CCP Commitment and the Utilised Participant Commitment is the **Utilised Waterfall Amount**. The ASX CCP is to notify Participants of the results of these calculations. However, any failure to provide such a notice does not affect the validity of the results or the actions taken by the ASX CCP.

Note: this amendment excludes the amount of interim commitments which have been applied from the calculation of how much of the commitments of the ASX CCP and the Participants have been applied during the previous default period. This is because the interim commitments which have been used are not "reinstated" after the end of the default period.



## **29** Remaining Waterfall Amount, ASX CCP Regulatory Requirement and Replacement Default Fund Size

After it calculates the Utilised Participant Commitment and the Utilised ASX CCP Commitment, the ASX CCP is to calculate each of the following:

- (a) the amount of the Default Fund (if any) still available in accordance with the Default Waterfall to meet ASX CCP Loss in respect of future Default Periods, not including any ASX CCP Interim Replenishment Amounts and Interim Participant Replenishment Amounts determined in respect of the immediately preceding Default Period which have not been applied to meet ASX CCP Loss. This is referred to as the **Remaining Waterfall Amount**, and
- (b) the amount which the ASX CCP determines is the minimum size which the Default Fund needs to be for the ASX CCP to satisfy the regulatory requirements applicable to it. This amount is referred to as the **ASX CCP Regulatory Requirement**; and
- (c) if the Remaining Waterfall Amount is zero, the amount which the ASX CCP determines ~~is to would~~ be the size of the ~~new~~ Default Fund ~~to be~~ available to meet ASX CCP Loss in accordance with this Schedule (referred to as the **Replacement Default Fund Size**) before taking into account any Applied ASX CCP Interim Replenishment Amount or Applied Interim Participant Replenishment Amount. This amount is to be no more than:
  - (i) if the ASX CCP is ASX Clear, \$150 million; and
  - (ii) if the ASX CCP is ASX Clear (Futures), \$400 million.

The ASX CCP is to notify Participants of the results of these calculations. However, any failure to provide such a notice does not affect the validity of the results or the actions taken by the ASX CCP.

*Note: this amendment makes it clear that the amount of interim commitments which have not been applied are excluded from the calculation of how much of the commitments of the ASX CCP and the Participants are remaining after the previous default period. This is because the interim commitments are to be treated as early reinstatements of commitments of the ASX CCP and Participants, and not as if they were assets "left over" in the Default Fund after the completion of default management. It follows from this that if there is a remaining waterfall amount then no interim commitments can have been used.*

## **310** ASX CCP Commitment Amount

After it calculates the Remaining Waterfall Amount, the ASX CCP Regulatory Requirement and (if the Remaining Waterfall Amount is zero) the Replacement Default Fund Size, the ASX CCP is to calculate the amount of further assets which the ASX CCP is to commit to meet any ASX CCP Loss which may arise in respect of future Default Periods in accordance with the Default Waterfall. This amount is referred to as the **ASX CCP Commitment Amount**.

The ASX CCP Commitment Amount is to be:

- (a) if the Remaining Waterfall Amount is zero, one-half of the Replacement Default Fund Size minus the aggregate ASX CCP Interim Replenishment Amounts committed by the ASX CCP in respect of the immediately preceding Default Period in accordance with Part A of this Schedule (subject to a minimum of zero); and

(b) if the Remaining Waterfall Amount is more than zero, the lesser of the amount of Utilised ASX CCP Commitment and

- (i) if the ASX CCP is ASX Clear, \$75 million; or
- (ii) if the ASX CCP is ASX Clear (Futures), \$200 million;

each minus the aggregate ASX CCP Interim Replenishment Amounts committed by the ASX CCP in respect of the immediately preceding Default Period in accordance with Part A of this Schedule (subject to a minimum of zero).

The ASX CCP is to commit the ASX CCP Commitment Amount to meet any ASX CCP Loss which may arise in respect to future Default Periods in accordance with the Default Waterfall, without limiting the application of any portion of the Remaining Waterfall Amount which is comprised of the Committed ASX Assets.

Note: these amendments reduce the amount which the ASX CCP is required to commit after the end of the default period by the interim commitment of the ASX CCP. It does not matter whether the interim commitment has been applied or not.

#### **411 Total Participant Replenishment Amount**

In connection with its calculation of the ASX CCP Commitment Amount, the ASX CCP is to calculate the amount which Participants are to be required to provide to meet ASX CCP Loss in respect of future Default Periods in accordance with the Default Waterfall. This amount is referred to as the **Total Participant Replenishment Amount**.

The Total Participant Replenishment Amount is to be:

- (a) if the Remaining Waterfall Amount is zero:
  - (i) if the ASX CCP is ASX Clear, one-half of the Replacement Default Fund Size minus the Applied Interim Participant Replenishment Amount (subject to a minimum of zero); or
  - (ii) if the ASX CCP is ASX Clear (Futures) the sum of:
    - (A) in respect of the Futures Commitments of all Futures Participants, one-quarter of the Replacement Default Fund Size minus one half of the Applied Interim Participant Replenishment Amount (subject to a minimum of zero) (this amount is referred to as the **Total Futures Participant Replenishment Amount**); and
    - (B) in respect of the OTC Commitments of all OTC Participants, one-quarter of the Replacement Default Fund Size minus one half of the Applied Interim Participant Replenishment Amount (subject to a minimum of zero) (this amount is referred to as the **Total OTC Participant Replenishment Amount**); and
- (b) if the Remaining Waterfall Amount is more than zero:
  - (i) if the ASX CCP is ASX Clear, the lesser of:
    - (A) \$75 million; and
    - (B) the Utilised Waterfall Amount minus \$75 million (subject to a minimum of zero); and
    - (C) amount of the excess (if any) of the ASX CCP Regulatory Requirement over the sum of the Remaining Waterfall Amount and the ASX CCP Commitment Amount; or

- (ii) if the ASX CCP is ASX Clear (Futures), the sum of:
  - (A) in respect of the Futures Commitments of all Futures Participants, the lesser of \$100 million and the amount of Utilised Participant Commitment comprising Futures Commitments (this amount is referred to as the **Total Futures Participant Replenishment Amount**); and
  - (B) in respect of the OTC Commitments of all OTC Participants, the lesser of \$100 million and the amount of Utilised Participant Commitment comprising OTC Commitments (this amount is referred to as the **Total OTC Participant Replenishment Amount**).

Note: this amendment reduces the aggregate amount which the Participants are required to contribute after the end of the default period by the interim contributions paid by Participants which have been applied to meet further ASX CCP losses.

## **512 Participant Replenishment Amount and Maximum Replenishment Amount**

If the ASX CCP calculates a Total Participant Replenishment Amount which is greater than zero then it must calculate the **Maximum Replenishment Amount** for each Participant (excluding Defaulting Participants from the calculation). This is equal to:

- (a) if the ASX CCP is ASX Clear, the ASX Clear Maximum Assessment which could have been called from the Participant during the immediately preceding Default Period minus the aggregate Interim Participant Replenishment Amounts paid by that Participant in respect of the immediately preceding Default Period which have been applied to meet ASX CCP Loss (subject to a minimum of zero); and
- (b) if the ASX CCP is ASX Clear (Futures) the sum of:
  - (i) twice the amount of the Futures Commitment of the Participant at the commencement of the immediately preceding Default Period (if any) minus one half of the aggregate Interim Participant Replenishment Amounts paid by that Participant in respect of the immediately preceding Default Period which have been applied to meet ASX CCP Loss (subject to a minimum of zero) (this amount is referred to as the **Maximum Futures Replenishment Amount**); and
  - (ii) twice the amount of the OTC Commitment of the Participant at the commencement of the immediately preceding Default Period (if any) minus one half of the aggregate Interim Participant Replenishment Amounts paid by that Participant in respect of the immediately preceding Default Period which have been applied to meet ASX CCP Loss (subject to a minimum of zero) (this amount is referred to as the **Maximum OTC Replenishment Amount**);

The ASX CCP must allocate:

- (a) if the ASX CCP is ASX Clear, the Total Participant Replenishment Amount between each Participant (excluding Defaulting Participants) so that the relative proportions between the Participants of the amount so allocated is equal to the relative proportions amongst them of their Maximum Replenishment Amounts; and
- (b) if the ASX CCP is ASX Clear (Futures):

- (i) the Total Futures Participant Replenishment Amount between each Participant (excluding Defaulting Participants) who is a Futures Participant so that the relative proportions between the Futures Participants of the amount so allocated is equal to the relative proportions amongst them of their Maximum Futures Replenishment Amounts; and
- (ii) the Total OTC Participant Replenishment Amount between each Participant (excluding Defaulting Participants) who is an OTC Participant so that the relative proportions between the OTC Participants of the amount so allocated is equal to the relative proportions amongst them of their Maximum OTC Replenishment Amounts.

The amount so allocated to a Participant is the **Participant Replenishment Amount** and must not exceed the Maximum Replenishment Amount for that Participant for the ASX CCP. If the Participant has previously paid any Interim Participant Replenishment Amounts to the ASX CCP in accordance with Part A of this Schedule, the Participant Replenishment Amount for that Participant will be reduced by the aggregate Interim Participant Replenishment Amounts paid by that Participant in respect of the immediately preceding Default Period which have not been applied to meet ASX CCP Loss, subject to a minimum of zero.

Note: the amount required to be contributed by each Participant is reduced by the amount of Interim Participant Replenishment Amounts paid by the Participant which have not been applied to meet any further ASX CCP Losses. The Maximum Replenishment Amount for each Participant is reduced by the amount of Interim Participant Replenishment Amount applied.

### **613 Call for Participant Replenishment Amount**

The ASX CCP may make a call for each Participant to pay its Participant Replenishment Amount to the ASX CCP by notifying the Participant of the Participant Replenishment Amount which is to be paid. The notice must specify the time within which each Participant must pay the Participant Replenishment Amount, provided that the time must be no sooner than ~~24 hours~~ **one Business Day** after the time at which the notice is given to the Participant. A Participant Replenishment Amount called in accordance with this Schedule is a debt due and payable to the ASX CCP by the relevant Participant.

Each Participant Replenishment Amount must be paid by the time it is due, in cash, in immediately available funds.

A call for the payment of a Participant Replenishment Amount may only be made at or after the end of a Default Period. Once the ASX CCP makes a call for the Participant Replenishment Amount from a Participant, it may not make a call for the payment of another Participant Replenishment Amount from the Participant under this Schedule until the next Default Period ends. This does not limit Paragraph 9 (Scaling to meet regulatory requirements) of this Schedule or the future obligations to provide Participant Commitment in accordance with the ASX CCP Rules.

### **714 Treatment of Participant Replenishment Amounts**

A Participant Replenishment Amount paid by a Participant to the ASX CCP is:

- (a) the absolute and beneficial property of the ASX CCP; and
- (b) to be treated as the provision of Participant Commitment by that Participant for the purpose of the ASX CCP Rules, including for the purpose of

absorbing any ASX CCP Loss which may arise in respect of future Default Periods in accordance with the Default Waterfall (in addition to any portion of the Remaining Waterfall Amount which is referable to the Participant); and

- (c) not available to meet any ASX CCP Loss which arose during a previous Default Period.

## **815 Future application of Default Waterfall**

Except as set out in this Schedule, the provisions of the ASX CCP Rules with respect to Participant Commitments (including in relation to calculation, payment and withdrawal) will continue to apply following a Default Period. The Default Waterfall is to continue to apply with respect to any ASX CCP Loss which may arise in respect of future Default Periods after any ASX CCP Commitment Amounts are committed and any Participant Replenishment Amounts are paid to the ASX CCP.

However, the limbs of the Default Waterfall which allocate ASX CCP Losses that may arise in respect of future Default Periods will be taken to be varied so that the allocation of ASX CCP Losses that may arise in respect of future Default Periods which exceed Defaulted Participant Assets will be as follows:

- (a) if the Remaining Waterfall Amount is zero and:
- (i) if the ASX CCP is ASX Clear (in variation of ASX Clear Rules 8.3.1(e) and (g) and replacement of ASX Clear Rules 8.3.1(d), (f), (h) and (i)):
- (A) *firstly*, to Committed ASX Assets, up to an amount equal to the Replacement Default Fund Size divided by two minus the Applied ASX CCP Interim Replenishment Amount (subject to a minimum of zero); and
- (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to an amount equal to the Replacement Default Fund Size divided by two minus the Applied Interim Participant Replenishment Amount (subject to a minimum of zero); and
- (ii) if the ASX CCP is ASX Clear (Futures) (in variation of ASX Clear (Futures) Rules 7.1(c) to (f) and replacement of ASX Clear (Futures) Rules 7.1(g) and (h)):
- (A) *firstly*, to Committed ASX Assets, up to \$120 million minus the Applied ASX CCP Interim Replenishment Amount (subject to a minimum of zero);
- (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million minus one half of the Applied Interim Participant Replenishment Amount (subject to a minimum of zero);
- (C) *thirdly*, to Committed ASX Assets, up to \$80 million; and
- (D) *fourthly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million minus one half of the Applied Interim Participant Replenishment Amount (subject to a minimum of zero),

provided that where the Replacement Default Fund Size is less than \$400 million, the new amounts specified above (each prior to the deduction of any Applied ASX CCP Interim Replenishment Amount and Applied Interim Participant Replenishment Amounts)

are to be reduced on a pro-rata basis (by multiplying each such amount by the fraction equal to the Replacement Default Fund Size divided by \$400 million).

Note: these amendments reduce the first tranche provided by the ASX CCP by the amount of its interim commitment which have already been used and both tranches provided by the Participants by one half of the amounts of the interim commitments which have already been used. The scaling down of the Default Fund if the Replacement Default Fund Size is to be less than \$400m will be done prior to the reduction by the interim replenishment amounts applied.

- (b) if the Remaining Waterfall Amount is greater than zero and:
- (i) if the ASX CCP is ASX Clear (in variation of ASX Clear Rules 8.3.1(e), (g) and (i) and replacement of ASX Clear Rules 8.3.1(d), (f) and (h)):
    - (A) *firstly*, to Committed ASX Assets, up to \$75 million;
    - (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$75 million; and
    - (C) *thirdly*, to Committed ASX Assets, up to the amount of Committed ASX Assets which form part of the Remaining Waterfall Amount (if any); and
  - (ii) if the ASX CCP is ASX Clear (Futures) (in variation of ASX Clear (Futures) Rules 7.1(c) to (f) and (h) and replacement of ASX Clear (Futures) Rule 7.1(g)):
    - (A) *firstly*, to Committed ASX Assets, up to \$120 million;
    - (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million;
    - (C) *thirdly*, to Committed ASX Assets, up to the sum of:
      - (I) \$80 million; and
      - (II) the lesser of: (x) \$70 million and (y) the amount of Committed ASX Assets which forms part of the Remaining Waterfall Amount *minus* \$180 million (if any, subject to a minimum of zero);
    - (D) *fourthly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million; and
    - (E) *fifthly*, to Committed ASX Assets, up to an amount equal to the lesser of:
      - (I) \$180 million; and
      - (II) the amount of remaining Committed ASX Assets which form part of the Remaining Waterfall Amount (if any).

This Paragraph 8-15 does not limit:

- (i) the application of Paragraph 9-16 (Scaling to meet regulatory requirements) of this Schedule;
- (ii) the future obligations to provide Participant Commitment in accordance with the ASX CCP Rules; or
- (iii) if the ASX CCP is ASX Clear (Futures), the operation of any juniorisation mechanics in accordance with the ASX CCP Rules.

Note: no amendment has been made to this waterfall as there cannot have been any application of the interim commitments if there is a remaining waterfall amount.

Explanatory note: This Paragraph does not of itself affect:

- (a) the calculation of, or obligation to provide, an ASX CCP Commitment Amount;
- (b) the calculation of the Participant Commitment of a Participant;
- (c) the obligation of a Participant to provide a Participant Replenishment Amount;
- (d) if the ASX CCP is ASX Clear (Futures), the allocation to ASX CCP Losses to the Participant Commitment of Futures Participants and OTC Participants in accordance with the Default Waterfall.

## **916** Scaling to meet regulatory requirements

If the ASX CCP determines that the Default Fund should be increased to comply with any regulatory requirement applicable to the ASX CCP then the ASX CCP will calculate the amount by which the Default Fund needs to be increased (such increase is referred to as the **Default Fund Increase**), in consultation with the Risk Committee. However, the Default Fund Increase cannot result in the size of the Default Fund being greater than:

- (a) if the ASX CCP is ASX Clear, \$250 million; or
- (b) if the ASX CCP is ASX Clear (Futures), \$650 million.

The ASX CCP will notify Participants of the Default Fund Increase at least 45 calendar days before the date on which payment is due of any adjusted Participant Commitment in respect of the quarterly calculation of Participant Commitments in accordance with the ASX CCP Rules (referred to as the **Quarterly Contribution Date**). Any failure to provide this notice does not affect the validity of the results or the actions taken by the ASX CCP.

The quarterly calculations of Participant Commitment, as calculated in accordance with the relevant ASX CCP Rules, will take into account the inclusion of one half of the Default Fund Increase. The amount of the increase in a Participant's Participant Commitment which results from this inclusion (referred to as the Participant's **Additional Participant Commitment**) is to be calculated by the ASX CCP and paid by the Participant on the Quarterly Contribution Date (or such other date determined by the ASX CCP in its discretion) in the same manner as any other Participant Commitment which would otherwise be due on that date. The increase in the Default Fund will take effect on the Quarterly Contribution Date (or such other date determined by the ASX CCP in its discretion) to the extent the Additional Participant Commitments have been received by the ASX CCP.

Following the payment of the Additional Participant Commitment to it, the ASX CCP is to:

- (i) commit an additional amount which is equal to the aggregate Additional Participant Commitments of all Participants which were received by it in order to meet any ASX CCP Loss which may arise in respect to future Default Periods in accordance with the Default Waterfall (this amount committed by the ASX CCP is referred to as the **Additional ASX CCP Commitment**); and
- (ii) vary the Default Waterfall so that the aggregate Additional Participant Commitment of all Participants and the Additional ASX CCP Commitment are available to meet any ASX CCP Loss which may arise in respect to future Default Periods on a pari passu basis with each other (without regard

to whether the Clearing Participant in Default is a Futures Participant or an OTC Participant if the ASX CCP is ASX Clear (Futures)) and only after all other Participant Commitment and all Committed ASX Assets have been applied in accordance with the Default Waterfall (except in the case of the Additional Participant Commitment of a Defaulting Participant, which is to be applied at the same time as any other Participant Commitment of that Defaulting Participant).

**End of Section.**

