



ASX RECOVERY RULES

SECTION 3 RECOVERY POWERS

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SECTION 3 RECOVERY POWERS

3.1 Recovery Powers

Each of the following are **Recovery Powers** exercisable by the ASX CCP:

- Recovery Assessment
- ASX Payments Reduction
- Partial Termination
- Complete Termination
- Replenishment

The Recovery Powers are set out in the Schedules to these Recovery Rules. This Rule 3 sets out when each of the Recovery Powers may be exercised by the ASX CCP. The ASX CCP and each Participant are bound by the Recovery Powers exercised by the ASX CCP.

3.2 Conditions to Recovery Assessment

The ASX CCP may exercise the rights and powers set out in Schedule 1 (Recovery Assessment) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP reasonably expects that there is an ASX CCP Loss or that an ASX CCP Loss may arise in the future with respect to the Default Period which has been, or may be, allocated to the Default Fund at the relevant time; and
- (c) the ASX CCP has not determined in accordance with Rule 3.5 (Conditions to Complete Termination) that it will exercise the rights and powers set out in Schedule 4 (Complete Termination).

However, the ASX CCP must exercise its rights and powers set out in Schedule 1 (Recovery Assessment) if it has not already done so but it has exercised its rights and powers set out in Schedule 2 (ASX Payments Reduction). Subject to the limits contained in Schedule 1 (Recovery Assessment), the amount of recovery assessment determined by the ASX CCP in this circumstance must be at least the amount sufficient to reimburse (in accordance with Rule 5 (Reimbursement)) the amount of the reductions which have been already made to Net ASX Payments which were payable by the ASX CCP.

3.3 Conditions to ASX Payments Reduction

The ASX CCP may exercise the rights and powers set out in Schedule 2 (ASX Payments Reduction) if the following conditions are satisfied:

- (a) the applicable ASX CCP Rules are the ASX Clear (Futures) Rules; and
- (b) a Participant has Defaulted; and
- (c) the ASX CCP reasonably expects that there is an ASX CCP Loss or that an ASX CCP Loss may arise in the future with respect to the Default Period which has been, or may be, allocated to the Default Fund at the relevant time; and
- (d) either:

- (i) the ASX CCP reasonably expects that the ASX CCP Loss will not be, or may not be able to be, fully allocated to the Default Resources; or
 - (ii) the ASX CCP reasonably expects that it will not receive sufficient Net ASX Receipts in order to pay Net ASX Payments (each as defined in, and excluding the effect of any reduction under, Schedule 2 (ASX Payments Reduction)) as and when they become due and payable; and
- (e) the ASX CCP has not exercised the rights and powers set out in Schedule 4 (Complete Termination).

3.4 Conditions to Partial Termination

The ASX CCP may exercise the rights and powers set out in Schedule 3 (Partial Termination) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP has an Unmatched Book and it reasonably expects that the exercise of those rights and powers may restore a Matched Book and the ASX CCP reasonably believes that it is unlikely to be able to otherwise restore a Matched Book in a reasonable time as determined by the ASX CCP; and
- (c) the ASX CCP reasonably expects that the Net Termination Values which are to be payable by it in accordance with Schedule 3 (Partial Termination) will be paid in full; and
- (d) the ASX CCP has not determined in accordance with Rule 3.5 (Conditions to Complete Termination) that it will exercise the rights and powers set out in Schedule 4 (Complete Termination).

3.5 Conditions to Complete Termination

The ASX CCP may exercise the rights and powers set out in Schedule 4 (Complete Termination) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP reasonably expects that:
 - (i) if it has an Unmatched Book, it is unlikely to otherwise be able to restore a Matched Book within a reasonable time (including by exercising the rights and powers set out in Schedule 3 (Partial Termination)), as determined by the ASX CCP; or
 - (ii) the amount of payments (excluding any payments in respect of Initial Margin, additional margin and Excess Cash) which are, or will become, payable by it under the ASX CCP Rules (including these Rules) but which are not ASX Payments for the purpose of Schedule 2 (ASX Payments Reduction) at any time net of any receipts which have been or are due to be received by the ASX CCP at such time but which are not ASX Receipts for the purpose of Schedule 2 (ASX Payments Reduction) is likely to exceed the Default Resources that the ASX CCP reasonably determines will be available at that time; or
 - (iii) the use of its other rights and powers to allocate ASX CCP Loss or to restore a Matched Book would not be consistent with its obligations as a CS facility licensee, including that the ASX CCP

must, to the extent that it is reasonably practicable to do so, comply with the financial stability standards which apply to it and do all other things necessary to reduce systemic risk; and

- (c) if the ASX CCP chooses to do so, the ASX CCP has invited Participants to make voluntary payments to the ASX CCP.

3.6 Conditions to Replenishment

The ASX CCP may exercise the rights and powers set out in Schedule 5 (Replenishment) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) a DMP Completion Date has occurred with respect to a Default Period; and
- (c) the ASX CCP has not determined to exercise its rights and powers under Rule 10 (Voluntary Wind-Down) in respect of all product classes.

Amended 01/06/16

End of Section. Next page is no. 401.