

ASX OTC Rulebook

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4 REGISTRATION

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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.

The OTC Participants nominated as Fixed Rate Payer and Floating Rate Payer in details submitted by an Approved Trade Source System in connection with delivery under a Deliverable Swap Futures Contract are taken for the purposes of these OTC Rules and the OTC Handbook to have entered into an OTC Transaction having terms corresponding to the terms of the contract to be delivered.

An OTC Affiliate or CPM Client may submit an OTC Transaction to ASX Clear (Futures) ~~for registration for approval by the OTC Affiliate or CPM Client's relevant OTC Participant~~ in accordance with the above paragraphs of this OTC Rule 4.3. However, an OTC Transaction submitted to ASX Clear (Futures) by a CPM Client may only be registered by ASX Clear (Futures) if the CPM Client's OTC Participant has consented to the registration of the OTC Transaction in accordance with the OTC Handbook. ~~a~~An OTC Participant may provide consent using a credit hub notified to ASX Clear (Futures) (as described in the OTC Handbook).An OTC Participant may notify ASX Clear (Futures) of limitations on the types of OTC Transactions which may be submitted for registration on behalf of an OTC Affiliate or CPM Client.

Once consent has been obtained, or is taken to have been obtained (in accordance with the OTC Handbook), from the OTC Participants in whose Clearing Account the OTC Open Contracts would be created by the registration of that OTC Transaction, then the OTC Transaction is taken to have been submitted by the OTC Participant to ASX Clear (Futures) for registration and, for the purposes of these OTC Rules, the OTC Handbook and the Futures Rules, the OTC Participant is taken to be a party to the OTC Transaction.

ASX Clear (Futures) makes no warranty (and accepts no liability) as to the effectiveness or performance or any other aspect or matter in connection with an Approved Trade Source System or a credit hub. ASX Clear (Futures) is not liable or responsible for any corruption or alteration of messages or loss of data which may take place within any Approved Trade Source System or a credit hub.

[Purpose of Amendment: The amendments provide a basis for the introduction of an automated trade submission process for OTC CPM Clients that will enable pre-clearing credit limit checks by means of a credit token issuer (that may be the OTC Participant or a third party credit hub) and request for consent workflows initiated by ASX.]

Amended 11/02/14, 30/11/15, 15/08/16

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4.14 **Multilateral OTC Portfolio Compression**

~~If the requirements for portfolio compression set out in the OTC Handbook are met, then ASX Clear (Futures) may facilitate a portfolio compression cycle with respect to an OTC Transaction Type in accordance with the procedures set out in the OTC Handbook.~~

ASX Clear (Futures) may, from time to time in its absolute discretion, facilitate a Multilateral Compression Cycle with respect to OTC Open Contracts of an OTC Transaction Type and currency. A Multilateral Compression Cycle may include OTC Open Contracts that are held in a House Clearing Account or a Client Clearing Account.

A Multilateral Compression Cycle is coordinated by an Approved Compression Service Provider and carried out in accordance with the Compression Documentation and procedures set out in the OTC Handbook. To participate in a Multilateral Compression Cycle, an OTC Participant must satisfy the conditions set out in the OTC Handbook.

ASX Clear (Futures) will satisfy itself that a compression service provider is suitable before approving it as an Approved Compression Service Provider. ASX Clear (Futures) makes no warranty (and accepts no liability) as to the effectiveness or performance or any other aspect or matter in connection with an Approved Compression Service Provider.

Each participating OTC Participant, and each of its OTC Affiliates and CPM Clients (as applicable) that is or will become a party to OTC Open Contracts comprised in an Unwind Proposal ('Relevant Parties'), will be bound irrevocably by:

- (a) acceptance of the Unwind Proposal that is communicated to ASX Clear (Futures) by the participating OTC Participant directly or the Approved Compression Service Provider in respect of the participating OTC Participant;
- and
- (b) the termination and creation of OTC Open Contracts effected by ASX Clear (Futures) as part of the Multilateral Compression.

By participating in a Multilateral Compression Cycle, an OTC Participant represents and warrants to ASX Clear (Futures) that it is duly authorised by each of the Relevant Parties to do so. However, any lack of authority will not invalidate the acts or matters referred to in paragraph 4.14(a) or (b) above.

ASX Clear (Futures) is entitled to rely and act upon the acceptance of an Unwind Proposal and any other information communicated to ASX Clear (Futures) by an Approved Compression Service Provider without making any verification or investigation.

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(as at 31 March 2017)**

ASX Clear (Futures) will notify participating OTC Participants once a Multilateral Compression has been effected. OTC Participants are responsible for providing notification to their OTC Affiliates and CPM Clients (as applicable).

In this Rule 4.14:

Approved Compression Service Provider means a third party compression service provider approved by ASX Clear (Futures) and specified in the OTC Handbook.

Compression Documentation means such agreements and documents as may be required from time to time by ASX Clear (Futures) and an Approved Compression Service Provider in order to allow an OTC Participant to participate in a Multilateral Compression Cycle.

Multilateral Compression means the exercise in which ASX Clear (Futures), in accordance with an Unwind Proposal, terminates OTC Open Contracts nominated for inclusion in a Multilateral Compression Cycle and, where relevant, simultaneously creates new OTC Open Contracts having a combined notional value which is less than that of the terminated OTC Open Contracts in the House Clearing Accounts or Client Clearing Accounts (as applicable) of the OTC Participants participating in that Multilateral Compression Cycle.

Multilateral Compression Cycle means the process leading to a Multilateral Compression in accordance with an Unwind Proposal.

Unwind Proposal means, in relation to a Multilateral Compression Cycle, the final statement of the proposed set of terminating OTC Open Contracts and the proposed set of resulting OTC Open Contracts.

[Purpose of Amendment: The amendments introduce ASX's Multilateral Compression Service.]

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

ASX OTC HANDBOOK

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1.4 Approved Trade Source Systems

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

- MarkitWire

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

~~ASX Clear (Futures) is not liable or responsible for any corruption or alteration of messages or loss of data which may take place within any Approved Trade Source System.~~

~~ASX Clear (Futures) makes no warranty (and accepts no liability) as to the effectiveness or performance or any other aspect or matter in connection with an Approved Trade Source System.~~

1.4A Approved Compression Service Provider

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

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2.15 Client Sub-Accounts

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

- Client Name
- Client LEI (or other identifier)
- Client Address
- Segregation Code (Omnibus or ICA)
- ~~(e) Restrictions on Trading~~
- ~~(ef) Swapswire Participant ID~~
- ~~(fg) Credit Token Issuer (may be OTC Participant or a third party credit hub)~~
- ~~Request for Consent Provider (may be OTC Participant or a third party credit hub)~~

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4 REGISTRATION

4.3 Submission of OTC Transactions

Limitations on swap clearing services for US Persons and FCMs

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

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

Definitions:

“CFTC” means the US Commodity Futures Trading Commission.

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

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

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

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

Explanatory Notes:

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

~~*General procedures for submission*~~

~~The Approved Trade Source System will send details of the OTC Transaction to ASX Clear (Futures) once it has been bilaterally agreed.~~

~~*(A) CPM Client procedures for submission*~~

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

- ~~(a) the transaction details of the OTC Transaction submitted to ASX Clear (Futures) include a ‘credit token’ from either:
 - ~~(i) a credit hub; or~~
 - ~~(ii) the OTC Participant,~~~~

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and the OTC Participant has notified ASX Clear (Futures) that such entity may provide 'credit tokens' in respect of OTC Transactions submitted by the CPM Client; or

(b) the OTC Participant or a credit hub, notified to ASX Clear (Futures) by the OTC Participant in respect of the CPM Client, returns a 'consent message' within 10 seconds of receiving a 'request for consent' message from ASX Clear (Futures) in respect of the OTC Transaction.

Consent is irrevocable once given, or taken to have been given, by an OTC Participant or a credit hub on behalf of an OTC Participant. ASX Clear (Futures) is entitled to rely upon a credit token or 'consent message' without making any verification or investigation.

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

(B) OTC Affiliate procedures for submission

For the purposes of OTC Rule 4.3, an OTC Participant will be taken to have consented to the registration of an OTC Transaction submitted to ASX Clear (Futures) by an OTC Affiliate, is taken to have been obtained from the OTC Participants with whom the OTC Open Contracts would be created when the relevant OTC Transaction is reported to ASX Clear (Futures) by an Approved Trade Source System.

General procedures for submission

(C)

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

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

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

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

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

Amended 25/09/15

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4.14 Multilateral OTC Portfolio Compression

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~~_____ For each proposed portfolio compression cycle with respect to an OTC Transaction Type, not less than two months prior to the scheduled execution date of such compression cycle, ASX Clear (Futures) will request:~~

- ~~(a) _____ the consent in writing of all OTC Participants; and~~
- ~~(b) _____ that each OTC Participant nominate which Accounts (including any Client Sub-Accounts) (if any) they would like to be included in the portfolio compression cycle.~~

~~_____ If:~~

- ~~(c) _____ more than 50% of the OTC Participants confirm in writing confirming they consent to ASX Clear (Futures) facilitating a portfolio compression cycle; and~~
- ~~(d) _____ the selected portfolio compression service provider for such OTC Transaction Type can facilitate the portfolio compression requirements,~~

~~_____ ASX Clear (Futures) may, in its discretion, facilitate a portfolio compression cycle with respect to the relevant OTC Transaction Type, provided that only the Accounts nominated by each OTC Participant may be included in that portfolio compression cycle.~~

~~_____ The proceedings for any compression cycle will be notified by ASX Clear (Futures), following consultation with OTC Participants.~~

Conditions to participation in a Multilateral Compression Cycle

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

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

Multilateral Compression Cycle

(A) Initiating a Multilateral Compression Cycle

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

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

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

OTC Open Contracts that are held in:

- (a) _____ a participating OTC Participant's House Clearing Account; or

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

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

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

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

(B) Accepting an Unwind Proposal

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

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

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

(a) a participating OTC Participant is not eligible to participate in the relevant Multilateral Compression Cycle at or prior to the time at which ASX Clear (Futures) proposes to effect the Multilateral Compression; or

(b) a participating OTC Participant does not provide the additional OTC Initial Margin required by ASX Clear (Futures).

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