

## SECTION 14 RISK MANAGEMENT

14.1	POSITION LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS .....	3
14.1.1	ASX Clear may prescribe Position Limits .....	3
14.1.2	Breach of Position Limits.....	4
14.1.3	Positions below Position Limits but considered excessive .....	4
14.2	INITIAL MARGIN LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS .....	4
14.2.1	ASX Clear may prescribe Initial Margin limits .....	4
14.2.2	Positions in excess of Initial Margin limits .....	5
14.3	EXERCISE LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS .....	5
14.3.1	ASX Clear may prescribe Exercise Limits .....	5
14.3.2	Breach of Exercise Limits.....	5
14.4	GENERAL – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS .....	6
14.4.1	Failure to comply with direction.....	6
14.4.2	Notification of action.....	6
14.5	MARGINS.....	6
14.5.1	ASX Clear to determine Initial Margin and other margin obligations .....	6
14.5.2	ASX Clear to notify total margin obligations.....	6
14.6	COVER.....	6
14.6.1	Participants to provide Cover (including additional Cover).....	6
14.6.2	Deposit of Excess Cash .....	7
14.6.3	Cover and Excess Cash to be unencumbered .....	7
14.6.4	Attributing Cover .....	8
14.6.5	Attributing Excess Cash.....	9
14.6.6	Return of Excess Cash.....	9
14.6.7	ASX Clear entitlement to Collateral.....	9
14.6.8	Return of Excess Collateral.....	9
14.6.9	ASX Clear may retain Cover and Excess Cash .....	10
14.7	RELATIONSHIP BETWEEN PARTICIPANTS AND CLIENTS IN RESPECT OF MARGIN CALLS FOR DERIVATIVES CCP CONTRACTS.....	10
14.7.1	Participant obligation to call Cash or Collateral.....	10
14.7.2	Time to respond to calls .....	10
14.7.3	Settlement amounts.....	10
14.7.4	Circumstances where call need not be made .....	10
14.7.5	Payments due to Participant .....	11
14.7.6	If no time agreed .....	11
14.7.7	Maximum time.....	11

14.8	RELATIONSHIP BETWEEN PARTICIPANTS AND CLIENTS IN RESPECT OF MARGIN CALLS FOR CASH CCP TRANSACTIONS .....	11
14.8.1	Participant must not call Clients to meet margin call for Cash CCP Transactions.....	11

## SECTION 14 RISK MANAGEMENT

The purpose of this Section is to provide powers to enable ASX Clear to manage its counterparty risk exposure by calculating margin and calling for Cover in respect of Derivatives CCP Contracts and Cash CCP Transactions, and deals with:

- (a) the circumstances in which ASX Clear will notify Participants of the amount of Initial Margin payable by them;
- (b) the obligation of Participants to provide and maintain with ASX Clear unencumbered cash or Collateral for their Initial Margin and other margin obligations;
- (c) how ASX Clear will attribute Cash Cover, Collateral or Excess Cash to an Account or to an Approved Market Operator and how the attribution may be changed; and
- (d) the circumstances in which ASX Clear is entitled to Collateral, when it may retain Cover and Excess Cash and when it will return Excess Cash or Excess Collateral to a Participant.

In relation to Derivatives Market Contracts and Derivatives CCP Contracts only, this Section deals with:

- (e) ASX Clear's power to prescribe Position Limits, Initial Margin Limits and Exercise Limits in limiting the number or exercise of contracts and the amount of exposure of a Participant;
- (f) the consequences if a Participant breaches a Position Limit, an Initial Margin Limit or an Exercise Limit;
- (g) the circumstances in which a Participant must call Cash or Collateral from a Client or may call additional Cash or Collateral or other amounts from a Client;
- (h) the time by which a call to a Client must be made and the time by which a Client must make payments to a Participant; and
- (i) the circumstances in which a Participant is not required to make a call.

### 14.1 POSITION LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS

#### 14.1.1 ASX Clear may prescribe Position Limits

ASX Clear may prescribe and set out in the Procedures (or otherwise notify to Participants) a limit on the number of Derivatives Market Contracts in a Series, Class or Delivery Month which may be registered with ASX Clear. The limit may restrict the number of Derivatives Market Contracts which may be registered with ASX Clear:

- (a) in one or more Accounts; or
- (b) in Accounts generally.

Introduced 11/03/04 Origin OCH 8.4.1

#### **14.1.2 Breach of Position Limits**

If ASX Clear determines that a Position Limit has been breached, ASX Clear may do one or more of the following:

- (a) direct the Participant (or in the case of a general Position Limit imposed under Rule 14.1.1 or by the Approved Listing Market Operator, a number of Participants) to close out, or cause to be closed out, one or more Derivatives CCP Contracts immediately or within a specified time; and
- (b) take, or refrain from taking, any other action which ASX Clear considers appropriate having regard to Rule 1.15.

Introduced 11/03/04 Origin OCH 8.4.2 Amended 27/06/11

#### **14.1.3 Positions below Position Limits but considered excessive**

If ASX Clear considers that the number of Derivatives CCP Contracts in a Class, Series or Delivery Month registered with ASX Clear in Accounts generally is excessive and not appropriate having regard to Rule 1.15, ASX Clear may do one or more of the following:

- (a) direct one or more Participants to close out or cause to be closed out one or more Derivatives CCP Contracts in that Class, Series or Delivery Month immediately or within a specified time even though a Position Limit has not been exceeded; and
- (b) take, or refrain from taking, any other action which ASX Clear considers appropriate having regard to Rule 1.15.

Introduced 11/03/04 Origin OCH 8.4.3

### **14.2 INITIAL MARGIN LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS**

#### **14.2.1 ASX Clear may prescribe Initial Margin limits**

ASX Clear may prescribe and set out in the Procedures (or otherwise notify to Participants) a limit on the amount of exposure a Participant may have under Derivatives CCP Contracts by limiting the total aggregate amount of Initial Margin liability in respect of Derivatives CCP Contracts that the Participant is permitted to have in respect of one or more markets conducted by Approved Listing Market Operators, having regard to the Participant's capital or financial position. A limit may be imposed:

- (a) in respect of a particular Participant; or
- (b) in respect of Participants generally.

Introduced 11/03/04 Origin OCH 8.5.1 Amended 27/06/11, 07/06/13

#### **14.2.2 Positions in excess of Initial Margin limits**

If ASX Clear determines that a Participant has exceeded or is likely to exceed a limit imposed under Rule 14.2.1, ASX Clear may do one or more of the following to ensure the limit is not exceeded:

- (a) direct the Participant to do any or all of the following, immediately or within a specified time:
  - (i) close out or cause to be closed out, one or more Derivatives CCP Contracts;
  - (ii) increase its capital liquidity; or
  - (iii) request the transfer of one or more Derivatives CCP Contracts under Rule 13.1; and
- (b) refuse to register a Derivatives Market Contract reported for registration in the Participant's name or allocated to the Participant under Rule 11.1, but only after ASX Clear has notified the Participant and the Approved Listing Market Operator that ASX Clear will not register Derivatives Market Contracts in that Participant's name; and
- (c) take, or refrain from taking, any other action which ASX Clear considers appropriate having regard to Rule 1.15.

Introduced 11/03/04 Origin OCH 8.5.2 Amended 23/10/09, 27/06/11

### **14.3 EXERCISE LIMITS – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS**

#### **14.3.1 ASX Clear may prescribe Exercise Limits**

ASX Clear may prescribe and set out in the Procedures (or otherwise notify to Participants) a limit on the exercise of Options CCP Contracts in a Class or Series. A limit may restrict exercise of Options CCP Contracts registered:

- (a) in one or more Accounts; or
- (b) in Accounts generally.

A Participant must not exercise an Options CCP Contract if the exercise of the Option CCP Contract will have the effect that an Exercise Limit is exceeded.

Introduced 11/03/04 Origin OCH 8.6.1

#### **14.3.2 Breach of Exercise Limits**

ASX Clear may reject an Exercise Notice given in respect of an Options CCP Contract in breach of an Exercise Limit.

Introduced 11/03/04 Origin OCH 8.6.2

## 14.4 GENERAL – DERIVATIVES MARKET CONTRACTS AND DERIVATIVES CCP CONTRACTS

### 14.4.1 Failure to comply with direction

If a Participant fails to comply with:

- (a) a direction of ASX Clear under Rule 14.1 and Rule 14.2; or
- (b) a direction of the Approved Listing Market Operator in connection with position limits, exercise limits or exercise restrictions imposed under the operating rules of the Approved Listing Market Operator,

that failure is an event of default under Rule 15.1.

Introduced 11/03/04 Origin OCH 8.7.1 Amended 27/06/11

### 14.4.2 Notification of action

ASX Clear must notify as soon as practicable the Approved Listing Market Operator of any action taken by ASX Clear to enforce the relevant limits under Rules 14.1, 14.2 and 14.3.

Introduced 11/03/04 Origin OCH 8.7.2 Amended 27/06/11

## 14.5 MARGINS

### 14.5.1 ASX Clear to determine Initial Margin and other margin obligations

ASX Clear will in respect of Derivatives CCP Contracts and Cash CCP Transactions, calculate for each Account of a Participant, Initial Margin and other margin obligations for contracts and transactions registered in the name of the Participant at the time, in the manner and using methods and assumptions specified in the Procedures.

Introduced 11/03/04 Origin OCH 11.1.1 Amended 18/12/06, 07/06/13

### 14.5.2 ASX Clear to notify total margin obligations

ASX Clear will notify each Participant, in the manner and at the time specified in the Procedures, of the amounts calculated under Rule 14.5.1.

Introduced 11/03/04 Origin OCH 11.1.2

## 14.6 COVER

### 14.6.1 Participants to provide Cover (including additional Cover)

A Participant must deposit or provide to, and maintain with, ASX Clear cash or Collateral for its Initial Margin and other margin obligations determined under Rule 14.5.1 in the amount, manner and form determined from time to time by ASX Clear and specified in the Procedures or notified to the Participant. Without limiting this Rule 14.6.1, ASX Clear may at any time require a Participant to:

- (a) provide additional Cover immediately or within a specified time if, in the opinion of ASX Clear:
  - (i) the Cover is necessary or desirable having regard to any relevant circumstances, including without limitation, circumstances which affect or may affect a market conducted by an Approved Market Operator or the ability of the Participant to perform its obligations under any Derivatives CCP Contract or Cash CCP Transaction registered in an Account of that Participant; or
  - (ii) Collateral provided to ASX Clear as security for the obligations of the Participant is not at that time of sufficient value or is not at that time acceptable to ASX Clear; or
- (b) replace immediately or within a specified time Collateral with cash,

and the Participant must comply with any requirement of ASX Clear under this Rule 14.6.1.

Introduced 11/03/04 Origin OCH 11.2.1 Amended 07/06/13

#### **14.6.2 Deposit of Excess Cash**

If permitted by ASX Clear, a Participant may deposit with ASX Clear, in accordance with the Procedures, Cash Cover which exceeds an amount required by ASX Clear under Rule 14.6.1 at that time. ASX Clear may apply Excess Cash:

- (a) recorded under Rule 10.2.4(a) for the purpose of calculating a Participant's margin obligation in respect of Cash CCP Transactions; and
- (b) recorded under Rule 10.2.4(b) and (c) for the purposes of calculating net payment amounts under Rules 12.16.1 and 12.16.2.

ASX Clear may apply some or all Excess Cash held by ASX Clear in respect of that Participant's House Accounts and Cash Market Account towards satisfaction of any obligation notified by ASX Clear to the Participant to provide Cover. ASX Clear may apply Excess Cash as authorised in Section 15.

Introduced 11/03/04 Origin OCH 11.2.2 Amended 10/06/04, 07/06/13, 30/11/15

#### **14.6.3 Cover and Excess Cash to be unencumbered**

Cover and Excess Cash:

- (a) must not be subject to any interest (whether legal, equitable or statutory) by way of security at the time it is provided; and
- (b) must not become subject to any interest (whether legal, equitable or statutory) by way of security other than in favour of ASX Clear at any time while it is held by ASX Clear,

unless ASX Clear has agreed otherwise in writing before the Cover or Excess Cash is provided or before the Cover or Excess Cash becomes subject to the interest by way of security.

Introduced 11/03/04 Origin OCH 11.2.3

#### 14.6.4 **Attributing Cover**

For the purposes of enabling ASX Clear to record Cash Cover and Collateral in accordance with Rules 10.2.2 and 10.2.3, Cash Cover and Collateral will be attributed in accordance with the Procedures:

- (a) to an Account or Accounts; and
- (b) if Derivatives CCP Contracts referable to more than one Approved Listing Market Operator are registered in the same Account, to an Approved Listing Market Operator.

The Participant may, with the consent of ASX Clear, change the attribution of some or all of the Cover in accordance with the Procedures.

Nothing in this Rule 14.6.4 or in the records maintained by ASX Clear for the purposes of Rule 10.2.3 limits the rights of ASX Clear to apply the proceeds ("Disposal Proceeds") received on sale or disposal of Collateral. Following enforcement by ASX Clear of its security interest in respect of that Collateral, ASX Clear may apply the Disposal Proceeds to discharge any of the Participant's obligations to ASX Clear including, but not limited to, obligations arising in connection with Derivatives CCP Contracts and Cash CCP Transactions in the following manner:

- (c) ASX Clear may apply the Disposal Proceeds received in respect of a Participant's House Account or Cash Market Account against the obligations of the Participant which arise in connection with any Account established by the Participant (including any Client Account), regardless of whether all or any part of the value of that Collateral has been recorded under Rule 10.2.3 in respect of that Account or provided as Cover in respect of a specific Account, Derivatives CCP Contract or Cash CCP Transaction; and
- (d) ASX Clear may apply the Disposal Proceeds received in respect of a Client Account against the obligations of the Participant in respect of the Client Account or Accounts notified to ASX Clear by or on behalf of the Client in connection with the lodgement of the Collateral regardless of whether all or any part of the value of that Collateral has been recorded under Rule 10.2.3 in respect of one or more of those Accounts.

*Note: Under Rule 15.2.1(j), ASX Clear can (subject to Sections 10 and 14) apply Cash Cover and Collateral held in respect of a Participant to meet the obligations of the Participant to ASX Clear in respect of any Account in any order.*

Introduced 11/03/04 Origin OCH 11.2.4 Amended 27/06/11, 07/06/13



#### **14.6.5 Attributing Excess Cash**

For the purposes of enabling ASX Clear to record Excess Cash in accordance with Rule 10.2.4(b) and (c), the Participant must specify, in accordance with the Procedures:

- (a) the Approved Listing Market Operator to which the Excess Cash is to be attributed;
- (b) the total cash amount, comprising Cash Cover and Excess Cash, to be recorded by ASX Clear for each Client Account in respect of which the Participant may wish to attribute Excess Cash

for that Approved Listing Market Operator; and

- (c) the total cash amount, comprising Cash Cover and Excess Cash, to be recorded by ASX Clear for House Accounts in respect of which the Participant may wish to attribute Excess Cash for that Approved Listing Market Operator.

If no total cash amount is specified by a Participant in respect of a Client Account for an Approved Listing Market Operator, then ASX Clear will record nil Excess Cash in respect of that Client Account for the Approved Listing Market Operator.

Introduced 11/03/04 Origin OCH 11.2.5 Amended 27/06/11, 07/06/13, 30/11/15

#### **14.6.6 Return of Excess Cash**

A Participant may request ASX Clear, in the manner and by the time specified in the Procedures, to pay to it Excess Cash credited to that Participant under Rule 10.2.4. Upon receipt of that request, ASX Clear will return Excess Cash to the Participant unless ASX Clear determines that the Excess Cash is required by ASX Clear to cover the Participant's obligations to ASX Clear. ASX Clear will effect the return of Excess Cash in accordance with the Procedures.

Introduced 11/03/04 Origin OCH 11.2.6 Amended 30/11/15

#### **14.6.7 ASX Clear entitlement to Collateral**

All Collateral is subject to a security interest in favour of ASX Clear to secure the performance by the relevant Participant of its obligations to ASX Clear. The interest and rights of ASX Clear pursuant to the security interest to or in respect of Collateral have priority over the interest and rights, whenever or however acquired or created, of any other person claiming an interest by way of security in that Collateral.

Introduced 11/03/04 Origin OCH 11.2.7

#### **14.6.8 Return of Excess Collateral**

A Participant may request ASX Clear, in the manner specified in the Procedures, to release from the security interest Collateral which the Participant considers to be in excess of the requirements of ASX Clear. ASX Clear is not obliged to comply with that request and will only release Collateral from its security interest if ASX Clear determines that the Collateral is no longer required by ASX Clear as security for the Participant's obligations to ASX Clear. ASX Clear will effect the release in accordance with the

Procedures and will not be required to take any other action or to sign any document for the purposes of releasing the Collateral.

Introduced 11/03/04 Origin OCH 11.2.8

#### **14.6.9 ASX Clear may retain Cover and Excess Cash**

If, by reason of any relevant Rule, legislation or principle of law or equity, ASX Clear is not entitled to deal with Cover and Excess Cash in the manner provided by this Rule 14, Rule 10 or Rule 15 in or towards satisfaction or discharge of the obligations and liabilities of a Participant to ASX Clear, ASX Clear is entitled to retain and refuse to release Cover and Excess Cash until all the obligations and liabilities of the Participant to ASX Clear have been fully satisfied and discharged.

Introduced 11/03/04 Origin OCH 11.2.9

### **14.7 RELATIONSHIP BETWEEN PARTICIPANTS AND CLIENTS IN RESPECT OF MARGIN CALLS FOR DERIVATIVES CCP CONTRACTS**

#### **14.7.1 Participant obligation to call Cash or Collateral**

Where a Derivatives CCP Contract relates to a Client, a Participant must call Cash or Collateral from that Client which the Participant considers sufficient to ensure that the Participant is able to satisfy its obligations to ASX Clear for those Derivatives CCP Contracts.

The Participant is also entitled, at any time, to call from its Client any additional Cash or Collateral which the Participant considers appropriate in connection with the clearing of Derivatives CCP Contracts for its Client.

Introduced 11/03/04 Origin OCH 2B.2.1

#### **14.7.2 Time to respond to calls**

Subject to Rule 14.7.4, the call to any Client must be made no later than 24 hours after ASX Clear notifies Participants of the Initial Margin payable under this Rule.

Introduced 11/03/04 Origin OCH 2B.2.1A

#### **14.7.3 Settlement amounts**

A Participant is also entitled to call from its Client an amount sufficient to cover amounts which the Participant has been required to pay pursuant to the close out, settlement or daily settlement or other risk management of Derivatives CCP Contracts under these Rules.

Introduced 11/03/04 Origin OCH 2B.2.2

#### **14.7.4 Circumstances where call need not be made**

A Participant is not required to make a call under Rule 14.7.1 if:

- (a) in the case of a call under Rule 14.7.3 the amount of the call at that time is less than the amount set out in the Procedures;

- (b) the Client has already paid that amount to the Participant; or
- (c) the Client has provided security for that amount to the Participant (or to ASX Clear on behalf of the Participant) which is acceptable to the Participant.

Introduced 11/03/04 Origin OCH 2B.2.3

#### **14.7.5 Payments due to Participant**

The Client must, by the time specified in their Client Agreement:

- (a) pay to the Participant any amounts which the Participant asks the Client to pay under Rule 14.7.1 or 14.7.3; or
- (b) provide security for those amounts which is acceptable to the Participant.

Introduced 11/03/04 Origin OCH 2B.2.4

#### **14.7.6 If no time agreed**

If no time is agreed between the Participant and the Client for the purpose of Rule 14.7.5, the Client must meet its obligations under Rule 14.7.5 within 24 hours after the request for payment.

Introduced 11/03/04 Origin OCH 2B.2.5

#### **14.7.7 Maximum time**

The time agreed between the Participant and its Client for the purpose of Rule 14.7.5 must not be later than 48 hours after the request for payment.

Introduced 11/03/04 Origin OCH 2B.2.6

### **14.8 RELATIONSHIP BETWEEN PARTICIPANTS AND CLIENTS IN RESPECT OF MARGIN CALLS FOR CASH CCP TRANSACTIONS**

#### **14.8.1 Participant must not call Clients to meet margin call for Cash CCP Transactions**

A Participant must not:

- (a) call a Client for margin; or
- (b) use Cash or Collateral that belongs to a Client,

for the purpose of meeting the Participant's margin obligations to ASX Clear in connection with Cash CCP Transactions whether those Cash CCP Transactions were entered into on behalf of the Client or otherwise.

Introduced 07/06/13

**End of Document**