

SGX-DC Clearing Rule Amendments

Rule Amendments	
2.28.2A	<p>In respect of all defaults declared by the Clearing House, which occurrence takes place at or after such time that the Clearing House receives a Clearing Member's notice of resignation and before its effective date of resignation (such period being hereafter referred to as the "Notice Period"), the following shall apply:</p> <p>2.28.2A.1 the Clearing House shall apply the resigning Clearing Member's Security Deposit and Further Assessment Amount in accordance with Rule 7A.01A.2 7A.06.5-2, except that the aggregate amount applied in respect of all such defaults shall be subject always to a limit of no more than two (2) times of the resigning Clearing Member's Security Deposit requirement and Further Assessment Amount as at the time the Clearing House receives its notice of resignation; and</p> <p>2.28.2A.2 subject always to Rule 7A.02.1.5.c, the resigning Clearing Member shall not be assigned and transferred residual OTCF Contracts in respect of more than two (2) defaults occurring within the Notice Period.</p> <p>This Rule 2.28.2A shall apply provided always that the Clearing Member complies with Rule 2.28.2B.</p>
2.28.2C	<p>If a resigning Clearing Member breaches Rule 2.28.2B at any time during the Notice Period, Rule 2.28.2A.1 and Rule 2.28.2A.2 shall not apply to such Clearing Member in their entirety and instead the following shall apply:</p> <p>2.28.2C.1 such Clearing Member shall have all the obligations under this Rules of a non-resigning Clearing Member in respect of all events of default under Rule 7A.01A.1 7A.06.5-1 occurring during the Notice Period; and</p> <p>2.28.2C.2 if, due to the operation of Rule 2.28.2A.1, any amount of such Clearing Member's:</p> <ul style="list-style-type: none"> a. Security Deposit requirement; or

<p>b. Further Assessment Amount; or</p> <p>c. both,</p> <p>has not been used and applied by the Clearing House in accordance with Rule 7A.01A.2.7A-06-5-2, the Clearing House shall have the authority to call for and apply such amount as if the assessment had been utilised in the first instance in accordance with Rule 7A.01A.2.7A-06-5-2.</p>	<p>7.02AA Registration of Eligible OTCF Transactions</p> <p>7.02AA.1 Eligible OTCF Transactions</p> <p>7.02AA.1.1 Only OTCF Transactions which meet the following criteria will be eligible for registration with the Clearing House ("Eligible OTCF Transactions"):</p> <ul style="list-style-type: none"> a. a transaction which falls under one of the classes of Eligible OTCF Contracts; and b. a transaction where each Original OTCF Contract Counterparty has satisfied the requirements prescribed by the Clearing House in the OTCF Clearing Member Handbook from time to time. <p>Once the criteria in Rule 7.02AA.1.1 are satisfied, the Clearing Members acting for the respective Original OTCF Contract Counterparties shall be responsible for the Eligible OTCF Transaction as principals to the Clearing House.</p> <p>7.02AA.1.2 If an OTCF Transaction does not fulfil the eligibility criteria in Rule 7.02AA.1.1, such OTCF Transaction shall be deemed not to have been submitted to the Clearing House and shall remain in effect or be terminated, as the case may be, in accordance with any terms agreed to between the Original OTCF Contract Counterparties.</p> <p>7.02AA.1.3 Notwithstanding that an OTCF Transaction fulfils all eligible criteria prescribed under Rule 7.02AA.1.1, the Clearing House shall have the sole discretion to disallow the registration of such OTCF Transaction if any of the events of default set out in Rule 7A.01A.1.7A-06-5-4 occurs or is, in the reasonable opinion of the Clearing House, about to occur in relation to the Clearing Member in whose name such OTCF Transaction is to be registered.</p> <p>7.04.5A Eligible OTCF Transactions</p>
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<p>7.04.5A.6 Notwithstanding that an Eligible OTCF Transaction has been successfully registered pursuant to Rule 7.02AA.2 and is pending novation, the Clearing House may, in its sole discretion, disallow the novation of the OTCF Contract relating to such Eligible OTCF Transaction if any of the events of default set out in Rule 7A.01A.1 7A.06.5.4 occurs or is, in the reasonable opinion of the Clearing House, about to occur in relation to the Clearing Member in whose name such Eligible OTCF Transaction has been registered.</p>
<p>7A.01.3</p> <p>7A.01.3.3 in the case of a Clearing Member only, it defaults upon any levy owing to the Clearing House arising out of Rule 7A.01A 7A.06.5;</p>
<p>7A.01A.2</p> <p>Subject to Rule 7A.06.6.4 and provided that the defaulted Clearing Member's Collateral deposited with or provided to SGX-DC has been fully applied in accordance with Rule 7A.05.01, any loss suffered by the Clearing House arising from or in connection with an event of default shall be met and made good promptly by the use and application of funds from the following sources (collectively known as the "Clearing Fund") in the order of priority hereafter listed, with each source of funds to be completely exhausted, subject to the limitations contained therein, before the next source is applied:—</p> <ol style="list-style-type: none"> a. Clearing House Contribution. b. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where each Clearing Member had: <ol style="list-style-type: none"> i. cleared Contracts belonging to the Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or ii. an open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House (with the periods at Rules 7A.01A.2.b.i and 7A.01A.2.b.ii collectively referred to as the "Relevant Periods"). <p>Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.01A.5.2.b.</p> <ol style="list-style-type: none"> c. Further Assessment Amounts (as prescribed under Rule 7A.06.3, and excluding any Clearing Member who is insolvent or deemed to be insolvent) of the same category of Clearing Members referred to in Rule 7A.01A.2.b. Such Clearing Member shall be liable for the loss remaining on a pro-rata

<p>basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amount requirement for the category of Clearing Members referred to in Rule 7A.01A.2.b.</p> <p>c1. Any contributions to the Clearing Fund by the Clearing House or any of its related entities to that Contract Class in which the event of default occurred, the amount of such contributions (if any) to be determined by the Clearing House in its sole discretion.</p> <p>d. Security Deposits of Clearing Members (excluding any Clearing Member who is insolvent or deemed to be insolvent) where that Clearing Member had:—</p> <ul style="list-style-type: none"> i. cleared Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or ii. an open commitment in Contracts, not belonging to the same Contract Class in which the event of default occurred, during the six (6) month period preceding the day the event of default was declared by the Clearing House; or iii. not cleared or had no open commitment in Contracts belonging to the same Contract Class in which the event of default occurred, during the Relevant Periods. <p>Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Security Deposit requirement relative to the aggregate Security Deposit requirement for the category of Clearing Members referred to in this Rule 7A.01A.2.d, provided always that if such Clearing Member's Security Deposit had been applied pursuant to Rule 7A.01A.2.b, its Security Deposits shall not be applied again pursuant to this Rule <u>7A.01A.2.d.7A.06.5.2-d</u>.</p> <p>e. Further Assessment Amounts (as prescribed under Rule 7A.06.3 of the same category of Clearing Members referred to in Rule 7A.01A.2.d (excluding any Clearing Member which has been levied the maximum amount that may be levied against it pursuant to 7A.01A.2.c). Such Clearing Member shall be liable for the loss remaining on a pro-rata basis, calculated as the proportion of its Further Assessment Amount requirement relative to the aggregate Further Assessment Amounts requirement for the category of Clearing Members referred to in Rule 7A.01A.2.d; and</p> <p>f. any other contributions to the Clearing Fund.</p>	<p>7A.06.3 Further Assessment Amount</p> <p>7A.06.3.1 The Further Assessment Amount shall be an amount up to three (3) times of a Clearing Member's Security Deposit requirement, as prescribed by the Clearing House from time to time in its discretion.</p>
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7A.06.3.2	<p>Each Clearing Member shall be required to deposit with the Clearing House a percentage of its Further Assessment Amount as set out below:</p> <ul style="list-style-type: none"> a. in respect of Further Assessment Amount attributable to Contracts traded on the Exchange or any Relevant Market or Non-Relevant Market Contracts, an amount up to 50% in the form of cash or government securities; or b. in respect of Further Assessment Amount attributable to OTCF Contracts, an amount up to 100% in the form of cash or government securities, <p>or any other forms of Collateral acceptable to the Clearing House from time to time.</p> <p>In the use and application of the Further Assessment Amounts pursuant to Rule <u>7A.01A.2.7A-06-5-2</u> in an event of default, the Clearing House shall be entitled to call for payment of any balance of the Further Assessment Amount, which has not been deposited with the Clearing House pursuant to Rule 7A.06.3.2, at such time as it deems appropriate. A Clearing Member shall immediately furnish such amount to the Clearing House, prior to the close of business on the Business Day immediately following such call.</p>
7A.06.4 Aggregate Clearing House Contributions	<p>Subject to Rule 7A.06.4.2, the total contribution by the Clearing House to the Clearing Fund (“Aggregate Clearing House Contribution”) shall be the higher of:</p> <ul style="list-style-type: none"> a. S\$136,000,000, which shall be applied to the Clearing House Contribution as referred to in Rule <u>7A.01A.2.a.7A-06-5-2-a</u>; or b. the Minimum Aggregate Clearing House Contribution <p>In the event that any part of the Aggregate Clearing House Contribution is applied in accordance with Rule <u>7A.01A.7A-06-5</u>, such that it falls below the Minimum Aggregate Clearing House Contribution, the Clearing House shall restore the Aggregate Clearing House Contribution up to the Minimum Aggregate Clearing House Contribution. The Clearing House shall thereafter maintain Aggregate Clearing House Contribution equivalent to the Minimum Aggregate Clearing House Contribution.</p> <p>Aggregate Clearing House Contribution shall comprise the following, where such funds are available:</p> <ul style="list-style-type: none"> a. the capital of the Clearing House;

<ul style="list-style-type: none"> b. the net proceeds of such financial guarantee and/or default insurance; and c. any other financial instrument. 	<p>7A.06.6 Use of the Clearing Fund in Respect of Events of Default Occurring Within a Multiple Default Period</p> <p>7A.06.6.4 The Clearing Fund in the order of priority listed in Rule 7A.01A.2.7A.06-5-2 shall be used and applied in the following manner in respect of events of default occurring within a Multiple Default Period:</p> <ul style="list-style-type: none"> a. The Clearing Fund shall only be drawn upon after the monies of the defaulted Clearing Member with the Clearing House have been exhausted in accordance with this Rules; b. The Clearing Fund shall be utilised in the order of priority listed in Rule 7A.01A.2.7A.06-5-2 irrespective of the number of draw downs on the Clearing Fund; c. In the event that a utilisation of the Clearing Fund draws on only part of the funds available at any source under Rule 7A.01A.2.7A.06-5-2, the next utilisation of the Clearing Fund in connection with an event of default occurring within the same Multiple Default Period, shall draw first from the remaining funds available at the unexhausted source before drawing from the next source, taking into account, at all times, the relevant Contract Class; d. Once all the sources of the Clearing Fund have been exhausted, any current or subsequent utilisation of the Clearing Fund in connection with an event of default occurring within the same Multiple Default Period shall revert to the sequence of the priority listed in Rule 7A.01A.2.7A.06-5-2; and e. Upon the commencement of a new Multiple Default Period, the first draw down on the Clearing Fund in connection with an event of default occurring in the new Multiple Default Period shall commence from the first source of funds listed in Rule 7A.01A.2.7A.06-5-2, subject to Rule 7A.06.8.2, and the subsequent sources of funds shall follow accordingly. This applies regardless of the source from which the last payment out of the Clearing Fund was made in connection with an event of default which occurred in any previous Multiple Default Period. <p>7A.06.6.5 A resigning Clearing Member whose Security Deposit and Further Assessment Amount have been applied fully as specified in Rule 2.28.2A shall thereafter:</p> <ul style="list-style-type: none"> a. not be taken into account for the calculation of the aggregate Security Deposit requirement referred to in Rules 7A.01A.2.b
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<p>7A.06.5.2.b and d.; and</p> <p>b. not be taken into account for the calculation of the aggregate Further Assessment Amount referred to in Rules 7A.01A.2.c <u>7A.06.5.2.e</u> and e.</p>	<p>7A.06.7 Rights of Clearing House for Recovery of Loss</p> <p>7A.06.7.1 If a Clearing Member's Collateral available to the Clearing House are insufficient to fully discharge all of such Clearing Member's obligations to the Clearing House, including all claims against or expenses incurred by the Clearing House by reason of its substitution for that Clearing Member pursuant to Rule 7.04, the Clearing House shall nonetheless pay all such claims and expenses related to any of the action which the Clearing House may take pursuant to Rule 7A.02.1 (including drawings from the Clearing Fund and expenses), which shall be deemed a loss to it and which shall be a debt from the defaulting Clearing Member to the Clearing House, which the Clearing House may collect from the assets or securities of such Clearing Member available to it or by process of law.</p> <p>7A.06.7.2 If any amount paid out of the Clearing Fund pursuant to Rule 7A.01A.7A.06.5 <u>7A.06.5</u> is subsequently recovered by the Clearing House in whole or in part, the Clearing House shall credit the amount so received to the Clearing Fund in the reverse of the order in which it was paid out.</p> <p>7A.06.7.3 If a loss in respect of which a levy has been made against Clearing Members pursuant to Rules 7A.01A.2.b <u>7A.06.5.2.b</u>, c, d, and e is afterward recovered by the Clearing House in whole or in part, the net amount of such recovery shall be credited to such persons (whether or not they are Clearing Members at the time of recovery) in proportion to the amount of the assessment paid by such persons.</p> <p>Chapter 9 Definitions and Interpretation</p> <p>9.01 Definitions</p> <p>9.01.1</p> <p>"Clearing Fund" shall have the meaning ascribed to it in Rule 7A.01A.2 <u>7A.06.5.2</u>.</p> <p>"Contract Class" or "Contract Classes" shall have the meaning ascribed to it in Rule 7A.01A.5 <u>7A.06.5.5</u>.</p> <p>"Minimum Aggregate Clearing House Contribution" shall be an amount equivalent to 25% of the clearing fund size, which shall be applied to the Clearing Fund as follows:</p> <p>(i) an amount of not less than 15% of the clearing fund size shall be applied to the Clearing House</p>
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Contribution as referred to in Rule [7A.01A.2.a.7A-06-5-2.a.](#); and

(ii) the balance of the Minimum Aggregate Clearing House Contributions shall be applied to any or both of the sources referred to in Rules [7A.01A.2.c1.7A-06-5-2.e4](#) and [7A.01A.2.f.7A-06-5-2.f.](#) shall have the meaning ascribed to it in Rule [7A.01A.2.b.ii.7A-06-5-2.b.ii.](#)

Rule Violation		Whether composition may be offered	Composition Amount which may be Offered by the Clearing House, where the Clearing House has Determined the Clearing Member to be Liable			Mandatory minimum penalty imposed by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
7-20-47.03A.10	Clearing Member to provide the Clearing House with the required regulatory Information	Compoundable	\$2,000 – \$4,000	\$4,000 – \$7,000	\$7,000 – \$10,000	N.A.
7-20-547.03A.6.3	Clearing Member to deposit such margins/Collateral as may be required by the Clearing House by reason of any revaluation/depreciation in the market value of securities	Compoundable	\$2,000 – \$4,000	\$4,000 – \$7,000	\$7,000 – \$10,000	N.A.

Schedule A