

Amendments to the SGX-DC Clearing Rules

Legend: Amendments are marked in [blue](#).

RULE AMENDMENTS	
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Chapter 2	Clearing Membership
...	
2.28 Voluntary Suspension and Resignation	
2.28.1	
<p>A Clearing Member may at any time request the Clearing House to suspend its Clearing Membership. The Clearing House may give effect thereto upon such terms and conditions as the Clearing House may decide.</p>	
2.28.2	
<p>Any Clearing Member may resign upon giving notice in writing thereof to the Clearing House. Such resignation shall be effective upon the Clearing Member closing out its positions in all Contracts, subject to a minimum period of 30 days from the Clearing House's receipt of its notice of resignation (such period of 30 days being hereafter referred to as the "Minimum Notice Period"). Notwithstanding the foregoing, the Clearing House shall have the discretion to vary the effective date of resignation in the case of a defaulted or suspended Clearing Member.</p>	
2.28.2A [Rule has been deleted.]	
<p>In respect of all events of default 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 Clearing Fund Deposit and Further Assessment Amount in accordance with Rules 7A.01A.2B and 7A.01A.2D, except that the aggregate amount applied in respect of all such events of default shall be subject always to a limit of no more than two (2) times of the resigning Clearing Member's Clearing Fund Deposit requirement and Further Assessment Amount as at the time the Clearing House receives its notice of resignation.</p>	
<p>2.28.2A.2 [This rule has been deleted]</p>	

~~This Rule 2.28.2A shall apply provided always that the Clearing Member complies with Rule 2.28.2B.~~

2.28.2B [Rule has been deleted.]

~~Unless otherwise permitted by the Clearing House or required under this Rules, a resigning Clearing Member shall not undertake any transactions which have the effect of increasing its positions in any Contract during its Notice Period.~~

2.28.2C [Rule has been deleted.]

~~If a resigning Clearing Member breaches Rule 2.28.2B at any time during the Notice Period, Rule 2.28.2A.1 shall not apply to such Clearing Member in their entirety and instead the following shall apply:~~

~~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 occurring during the Notice Period; and~~

~~2.28.2C.2 if, due to the operation of Rule 2.28.2A.1, any amount of such Clearing Member's:~~

- ~~a. Clearing Fund Deposit requirement; or~~
- ~~b. Further Assessment Amount; or~~
- ~~c. both,~~

~~has not been used and applied by the Clearing House in accordance with Rules 7A.01A.2B and 7A.01A.2D, 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 Rules 7A.01A.2B and 7A.01A.2D.~~

2.28.2D [Rule has been deleted.]

~~Notwithstanding Rule 2.28.2A, a resigning Clearing Member shall have no obligations in relation to any event of default, other than its own, occurring at or after such time that the following conditions have been met:~~

~~2.28.2D.1 the Minimum Notice Period has lapsed; and~~

~~2.28.2D.2 the resigning Clearing Member has no open positions in any Contract other than positions acquired in relation to an event of default occurring during the Notice Period, by way of:~~

- ~~a. an auction pursuant to Rule 7A.02.1.3.c.~~
- ~~b. [This rule has been deleted]~~

2.28.3

2.28.3.1 ~~Subject to Rule 2.28.2A and Rule 2.28.2D, a~~ resignation shall not in any way affect the accrued rights and liabilities of the Clearing Member to the Clearing House and other Clearing Members and all such rights and liabilities shall subsist until satisfied or discharged.

2.28.3.2 The Rules, and any Directives as may be imposed by the Clearing House, shall continue to apply, and the Clearing Member shall be required to comply with them, until the effective date of resignation.

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Chapter 7 Clearing and Margins

7A.01A Events of Default

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7A.01A.2B Application of the Clearing Fund

7A.01A.2B.1 The Clearing Fund shall be applied in the manner set out in Rule 7A.01A.2B.2 to meet losses suffered by the Clearing House, arising from or in connection with, an event of default or a Trigger Event, provided always that the defaulted Clearing Member's Collateral, or in the case of a Trigger Event, the Connect Counterparty's collateral, has been fully applied in accordance with Rule 7A.05.1.

7A.01A.2B.2 Save as provided in Rule 7A.06.6.4 on the application of the Clearing Fund in a Multiple Default Period, and subject to the application of Rule 7A.01A.2F when a Trigger Event has been declared, the Clearing Fund shall be applied in the following order of priority, with each source of funds to be exhausted before the next source is applied:

- a. first, the Clearing House First Loss Contribution, in the manner set out in Rule 7A.01A.2C;
- b. second, the Clearing Fund Deposits of Active Clearing Members, in the manner set out in Rule 7A.01A.2D;
- c. third, the Clearing House Intermediate Contribution, in the manner set out in Rule 7A.01A.2E;
- d. fourth, the Clearing Fund Deposits of non-defaulting Clearing Members that are not available for use pursuant to Rule 7A.01A.2B.2.b, which will be applied on a pro-rata basis, calculated as the proportion of the Clearing Fund Deposit requirement of that Clearing Member relative to the aggregate Clearing Fund Deposit requirements of all such Clearing Members;
- e. fifth, the Further Assessment Amounts of all non-defaulting Clearing Members, which will be applied on a pro-rata basis, calculated as the proportion of the Further Assessment Amount requirement of that Clearing Member relative to the aggregate Further Assessment Amount requirements of all such Clearing Members; and
- f. sixth, any other contributions to the Clearing Fund.

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7A.01A.3

Where Clearing Members' Clearing Fund Deposits or Further Assessment Amounts are used and applied in accordance with Rules 7A.01A.2B.2 and 7A.01A.2D, the limits to one or more Clearing Members' liabilities in respect of such funds as set out in ~~Rule 2.28.2A~~ or Rule 7A.06.6.6 ~~or Rule 7A.06.9~~ may be reached. As a consequence of the foregoing, the contributions of Clearing Members which remain liable in respect of the relevant source of funds may remain unexhausted, while outstanding losses remain following such use and application of the source of funds. In such instances, the following shall apply:

- a. the remaining contributions of Clearing Members in respect of the relevant source of funds shall be applied to meet the outstanding loss, subject to their limits set out in ~~Rule 2.28.2A~~ and Rule 7A.06.6.6 ~~and Rule 7A.06.9~~; and
- b. the liability of each Clearing Member for such loss shall be determined as described in Rules 7A.01A.2B.2 and 7A.01A.2D, whichever is applicable, subject always to the operation of Rule 7A.06.6.5.

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7A.06 Clearing Fund

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7A.06.6 Use of the Clearing Fund in Respect of Events of Default and/or Trigger Events Occurring Within a Multiple Default Period

7A.06.6.1 A Multiple Default Period shall be a fixed period of 90 days commencing on the day an event of default and/or a Trigger Event occurs as declared by the Clearing House, where such event of default and/or a Trigger Event results in the use and application of the Clearing Fund.

7A.06.6.2 An event of default and/or a Trigger Event occurring within a Multiple Default Period shall not trigger the commencement of a new Multiple Default Period.

7A.06.6.3 The Clearing House shall notify Clearing Members of the commencement date of any Multiple Default Period.

7A.06.6.4 The Clearing Fund in the order of priority listed in Rule 7A.01A.2B.2 shall be used and applied in the following manner in respect of events of default and/or a Trigger Event occurring within a Multiple Default Period:

- a. The Clearing Fund shall only be drawn upon (i) in the case of an event of default, after the monies of the defaulted Clearing Member with the Clearing House; or (ii) in the case of a Trigger Event, the Connect Counterparty's collateral and Connect Layer, have been exhausted in accordance with this Rules;

- b. The Clearing Fund shall be utilised in respect of each event of default and/or a Trigger Event occurring within the Multiple Default Period in the order of priority listed in Rule 7A.01A.2B.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.2B.2, the next utilisation of the Clearing Fund in connection with the next event of default and/or Trigger Event occurring within the same Multiple Default Period, shall:
- i. subject to Rule 7A.06.6.4.c.ii, 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;
 - ii. where the next event of default and/or Trigger Event occurs in one or more Contract Classes in which all preceding events of defaults and/or Trigger Event in that same Multiple Default Period were not involved, the draw down will revert to the start of the sequence of priority listed in Rule 7A.01A.2B.2 and:
 - (1) the source of funds provided for in Rule 7A.01A.2B.2.a will consist of any remaining resources in the Clearing House First Contribution or any remaining resources in the Clearing House Intermediate Contribution, whichever amount is the higher; and
 - (2) the source of funds provided for in Rule 7A.01A.2B.2.c will consist of any remaining contributions to the Clearing Fund as referred to in Rule 7A.01A.2B.2.f, after which, either any remaining resources in the Clearing House Intermediate Contribution or any remaining resources in the Clearing House First Contribution, whichever has not already been used as the source of fund provided for in Rule 7A.01A.2B.2.a pursuant to (1) above.
- 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 and/or Trigger Event occurring within the same Multiple Default Period shall revert to the start of the sequence of the priority listed in Rule 7A.01A.2B.2 in respect of the replenished Clearing Fund; 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 and/or Trigger Event occurring in the new Multiple Default Period shall commence from the first source of funds listed in Rule 7A.01A.2B.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 and/or Trigger Event which occurred in any previous Multiple Default Period.

7A.06.6.5 The Clearing House, in its application of the Clearing Fund in accordance with Rules 7A.01A.2B.2, and 7A.01A.2D, shall exclude a [resigning](#) Clearing Member whose Clearing Fund Deposit and Further Assessment Amount have been applied fully as specified [in Rule 2.28.2A-Rule 7A.06.9.](#)

7A.06.6.6 Nothing in this Rule 7A.06.6 shall be construed as permitting the Clearing House to apply more than the Clearing Member's Clearing Fund Deposit and Further Assessment Amount as at the time of the event of default, to meet losses arising from or in connection with any individual event of default and/or Trigger Event.

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7A.06.8 Clearing Fund Deposits to be Restored

7A.06.8.1 In the event that it shall become necessary as provided in Rule 7A.06 to apply all or part of the Clearing Fund Deposits to meet obligations to the Clearing House (other than a Clearing Member's own obligation resulting from the substitution of the Clearing House on its trades), the Clearing Member shall immediately make good any such deficiency in Clearing Fund Deposits prior to the close of business on the Business Day immediately following such application.

7A.06.8.2 In the event that the limits to the application of the Clearing Member's Clearing Fund Deposit under [Rule 2.28.2A.1](#) [Rule 7A.06.9](#) have been reached, the Clearing Fund Deposits restored in accordance with Rule 7A.06.8.1 shall be applied only to meet the Clearing Member's own obligations to the Clearing House, resulting from the substitution of the Clearing House on its trades.

7A.06.9 Limit on Non-defaulting Clearing Members' Liability for Multiple Events of Default

7A.06.9.1 Notwithstanding Rule 7A.01A.2B.2 and subject to Rule 7A.06.9.2, the aggregate amount of a non-defaulting Clearing Member's Clearing Fund Deposit and Further Assessment Amount that can be applied to meet losses arising from or in connection with all events of default occurring within a period of thirty (30) calendar days shall not exceed an amount equal to three (3) times of that Clearing Member's Prescribed Contributions as at the start of that 30-day period.

7A.06.9.2 Where an event of default occurs, the amount of a non-defaulting Clearing Member's Clearing Fund Deposit and Further Assessment Amount that is available to meet losses suffered by the Clearing House arising from or in connection with that default is the lower of:

- a. an amount equal to three (3) times of the Clearing Member's Prescribed Contributions as at the start of the 30-day period that ends on the day of the event of default less the aggregate amount of that Clearing Member's Clearing Fund Deposit and Further Assessment Amount that has already been utilised to meet losses arising from or in connection with all other preceding events of default that had occurred in that 30-day period; or
- b. where the Clearing Member's Clearing Fund Deposit was adjusted during the aforementioned 30-day period, an amount ("Adjusted Amount") equal to three (3) times of the consequently adjusted Prescribed Contributions less the aggregate amount of the Clearing Member's Clearing Fund Deposit and Further Assessment Amount that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default.

In the event the Clearing Member's Clearing Fund Deposit is adjusted multiple times during the 30-day period, a separate Adjusted Amount shall be calculated for each adjustment and the lowest Adjusted Amount shall apply for the purpose of this Rule 7A.06.9.2.b.

[Refer to Practice Note 7A.06.9.](#)

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Chapter 9 Definitions and Interpretation

9.01 Definitions

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[“Adjusted Amount”](#)

[shall have the meaning ascribed to it in Rule 7A.06.9.2.b.](#)

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[“Prescribed Contributions”](#)

[means the aggregate of a Clearing Member’s Clearing Fund Deposit and Further Assessment Amount as determined by the Clearing House pursuant to Rules 7A.06.2 and 7A.06.3 respectively.](#)

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Practice Note 7A.06.9 — Limit on Non-defaulting Clearing Members' Liability for Multiple Events of Default

1. Introduction

1.1 Rule 7A.06.9.1 states that the aggregate amount of a non-defaulting Clearing Member's Clearing Fund Deposit ("CFD") and Further Assessment Amount ("FAA") that can be applied to meet losses arising from or in connection with all events of default occurring within a period of thirty (30) calendar days shall not exceed an amount equal to three (3) times of that Clearing Member's Prescribed Contributions as at the start of that 30-day period.

1.2 Rule 7A.06.9.2 states that where an event of default occurs, the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses arising suffered by the Clearing House arising from or in connection with that event of default is the lower of:

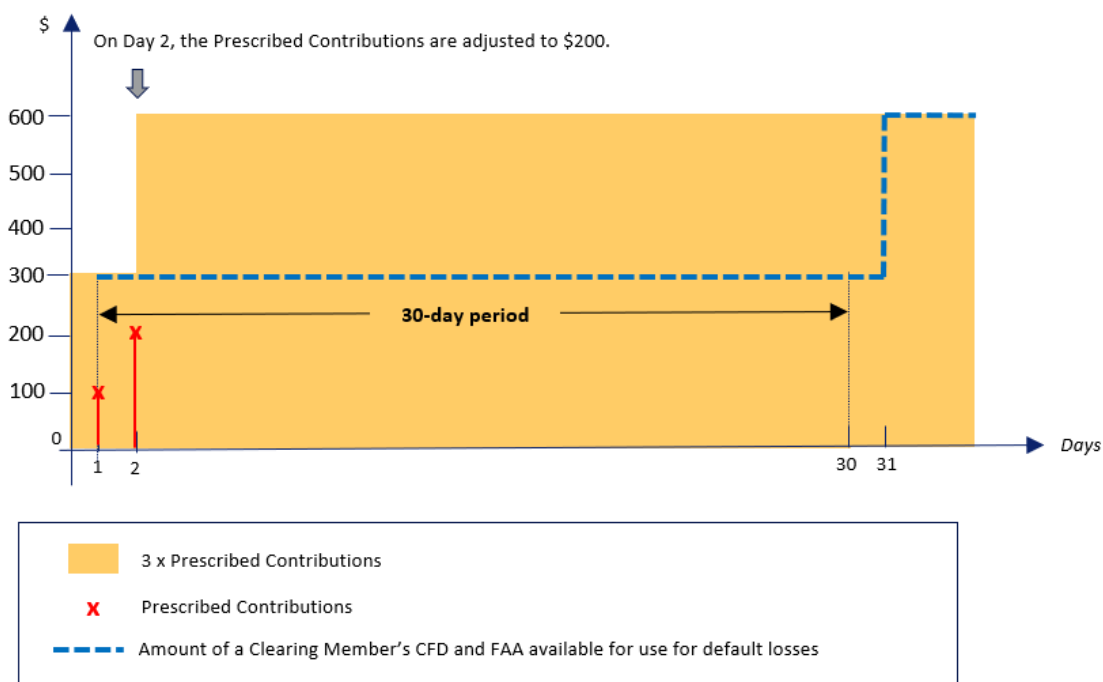
- a. an amount equal to three (3) times of the Clearing Member's Prescribed Contributions as at the start of the 30-day period that ends on the day of the event of default less the aggregate amount of that Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with all other preceding events of default that had occurred in that 30-day period; or
- b. where the Clearing Member's CFD was adjusted during the aforementioned 30-day period, an Adjusted Amount equal to three (3) times of the consequently adjusted Prescribed Contributions less the aggregate amount of the Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default.

In the event the Clearing Member's CFD is adjusted multiple times during the 30-day period, a separate Adjusted Amount shall be calculated for each adjustment and the lowest Adjusted Amount shall apply for the purpose of Rule 7A.06.9.2.b.

1.3 This Practice Note illustrates the operation of Rules 7A.06.9.1 and 7A.06.9.2. The scenarios set out are meant only to illustrate the calculation of the usage limits applicable under the Rules in various hypothetical scenarios, and are not representative of how defaults are managed by the Clearing House nor the actions that the Clearing House can and may take to maintain a fair, orderly, safe and efficient market.

2. Operation of Rule 7A.06.9.1

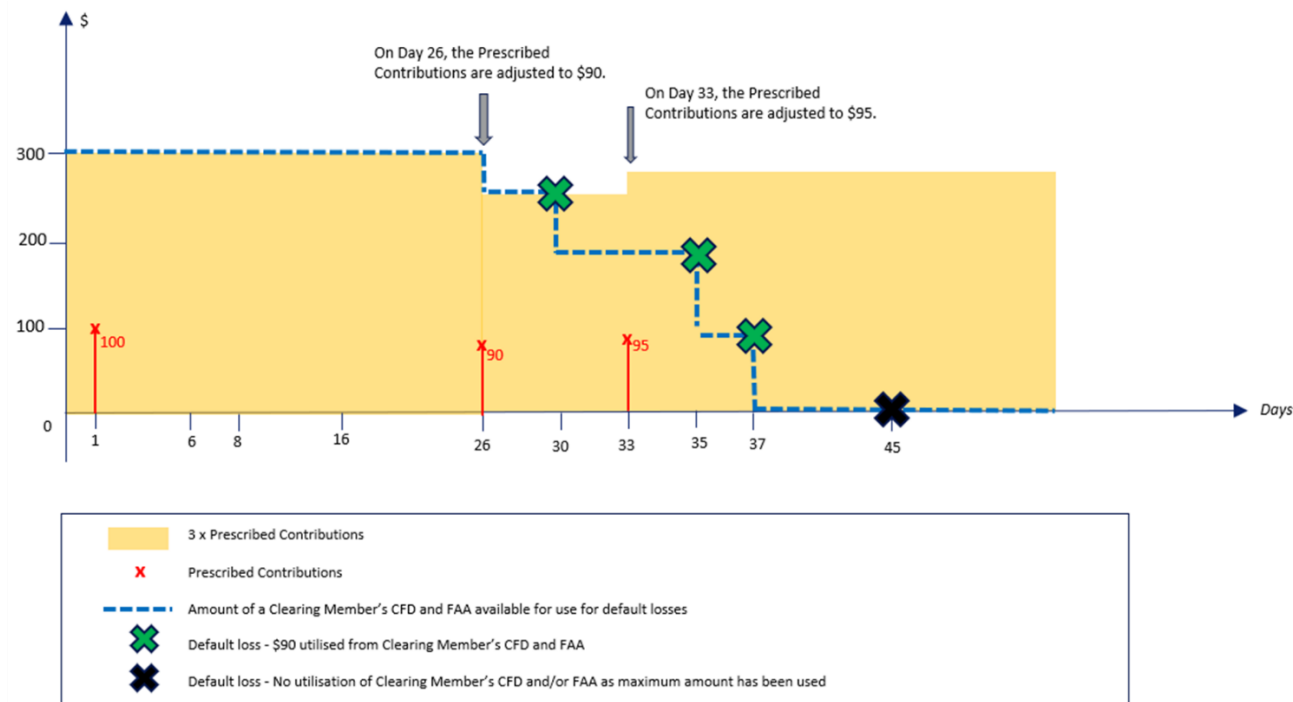
Illustration for Scenario 1



Scenario 1

- 2.1 Scenario 1: On Day 1, the non-defaulting Clearing Member's Prescribed Contributions is \$100. On Day 2, the Clearing Member's Prescribed Contributions is increased to \$200. This scenario illustrates how the aggregate amount of a non-defaulting Clearing Member's CFD and FAA that can be applied to meet losses arising from events of default occurring within a 30-day period shall not exceed an amount equal to three (3) times of the Clearing Member's Prescribed Contributions as at the start of the 30-day period.
- 2.2 In accordance with Rule 7A.06.9.1, the aggregate amount of the Clearing Member's CFD and FAA that can be applied to meet losses arising from or in connection with all events of default occurring within Day 1 to Day 30 shall not exceed an amount equal to three (3) times of that Clearing Member's Prescribed Contributions on Day 1. Therefore, even though the Clearing Member's Prescribed Contributions were increased to \$200 on Day 2, the aggregate amount of the Clearing Member's CFD and FAA which can be applied to meet default losses occurring within Day 1 to Day 30 will not exceed \$300 (i.e. 3 x \$100).

3. Operation of Rule 7A.06.9.2



3.1 The following scenarios (Scenarios 2 to 5) illustrate how the amount of a non-defaulting Clearing Member's CFD and FAA that can be used to meet losses is capped in the event of multiple defaults within a 30-day period.

Scenario 2

3.2 Scenario 2: On Day 1, the non-defaulting Clearing Member's Prescribed Contributions is \$100. On Day 26, the Clearing Member's Prescribed Contributions is reduced to \$90. Subsequently, a default occurs on Day 30. This scenario illustrates the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the default that occurred on Day 30.

3.3 Pursuant to Rule 7A.06.9.2, the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the event of default on Day 30 is the lower of:

<p>(a) <u>an amount equal to 3 times of the Clearing Member's Prescribed Contributions as at the start of the thirty-day period that ends on the day of the event of default (i.e. Day 1) less the aggregate amount used to meet default losses from all preceding events of default (i.e. from Day 1 up until the current event of default); or</u></p>	<table> <tr> <td><u>3 x Prescribed Contributions on Day 1</u></td><td><u>= 3 x \$100</u> <u>= \$300</u></td></tr> <tr> <td><u>Aggregate amount used to meet default losses from all preceding events of default from Day 1 until the current event of default on Day 30</u></td><td><u>= \$0</u></td></tr> <tr> <td><u>Amount that results under limb (a)</u></td><td><u>= \$300 - \$0</u> <u>= \$300</u></td></tr> </table>	<u>3 x Prescribed Contributions on Day 1</u>	<u>= 3 x \$100</u> <u>= \$300</u>	<u>Aggregate amount used to meet default losses from all preceding events of default from Day 1 until the current event of default on Day 30</u>	<u>= \$0</u>	<u>Amount that results under limb (a)</u>	<u>= \$300 - \$0</u> <u>= \$300</u>
<u>3 x Prescribed Contributions on Day 1</u>	<u>= 3 x \$100</u> <u>= \$300</u>						
<u>Aggregate amount used to meet default losses from all preceding events of default from Day 1 until the current event of default on Day 30</u>	<u>= \$0</u>						
<u>Amount that results under limb (a)</u>	<u>= \$300 - \$0</u> <u>= \$300</u>						
<p>(b) <u>where the Clearing Member's CFD was adjusted during the 30-day period, an Adjusted Amount equal to three (3) times of the consequently adjusted Prescribed Contributions (i.e. the Prescribed Contributions on Day 26) less the aggregate amount of the Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default (i.e. from Day 26 up until the current event of default).</u></p>	<table> <tr> <td><u>3 x adjusted Prescribed Contributions on Day 26</u></td><td><u>= 3 x \$90</u> <u>= \$270</u></td></tr> <tr> <td><u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 30</u></td><td><u>= \$0</u></td></tr> <tr> <td><u>Adjusted Amount that results under limb (b)</u></td><td><u>= \$270 - \$0</u> <u>= \$270</u></td></tr> </table>	<u>3 x adjusted Prescribed Contributions on Day 26</u>	<u>= 3 x \$90</u> <u>= \$270</u>	<u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 30</u>	<u>= \$0</u>	<u>Adjusted Amount that results under limb (b)</u>	<u>= \$270 - \$0</u> <u>= \$270</u>
<u>3 x adjusted Prescribed Contributions on Day 26</u>	<u>= 3 x \$90</u> <u>= \$270</u>						
<u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 30</u>	<u>= \$0</u>						
<u>Adjusted Amount that results under limb (b)</u>	<u>= \$270 - \$0</u> <u>= \$270</u>						

3.4 Under this scenario, the amount that results under limb (b) is lower than the amount that results under limb (a). Therefore, the amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from the default that occurred on Day 30 is the amount that results under limb (b), which is **\$270**.

Scenario 3

3.5 Scenario 3: Continuing from Scenario 2, \$90 of the Clearing Member's CFD and FAA was used to meet losses suffered by the Clearing House arising from a default on Day 30. On Day 33, the Clearing Member's Prescribed Contributions is increased to \$95. A second default occurs on Day 35. This scenario illustrates the amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the second default that occurred on Day 35.

3.6 Pursuant to Rule 7A.06.9.2, the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the event of default on Day 35 is the lower of:

<p>(a) <u>an amount equal to 3 times of the Clearing Member's Prescribed Contributions as at the start of the thirty-day period that ends on the day of the event of default (i.e. Day 35 – 29 days = Day 6) less the aggregate amount used to meet default losses from all preceding events of default (i.e. from Day 6 up until the current event of default); or</u></p>	<p><u>3 x Prescribed Contributions on Day 6</u> <u>= 3 x \$100</u> <u>= \$300</u></p> <p><u>Aggregate amount used to meet default losses from all preceding events of default from Day 6 until the current event of default on Day 35</u> <u>= \$90*</u></p> <p><i><u>* From the default on Day 30</u></i></p> <p><u>Amount that results under limb (a)</u> <u>= \$300 - \$90</u> <u>= \$210</u></p>
<p>(b) <u>where the Clearing Member's CFD was adjusted during the 30-day period, an Adjusted Amount equal to three (3) times of the consequently adjusted Prescribed Contributions less the aggregate amount of the Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default.</u></p>	<p><u>Rule 7A.06.9.2 also states that in the event the Clearing Member's CFD is adjusted multiple times during the 30-day period, a separate Adjusted Amount shall be calculated for each adjustment and the lowest Adjusted Amount shall apply for the purpose of Rule 7A.06.9.2.b.</u></p> <p><u>In this case, the Clearing Member's CFD was adjusted twice resulting in two adjusted Prescribed Contributions within the relevant 30-day period. Therefore two separate Adjusted Amounts will be calculated.</u></p> <p><u>Adjusted Amount A:</u></p> <p><u>3 x adjusted Prescribed Contributions on Day 26</u> <u>= 3 x \$90</u> <u>= \$270</u></p> <p><u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 35</u> <u>= \$90*</u></p> <p><i><u>* From the default on Day 30</u></i></p> <p><u>Adjusted Amount A</u> <u>= \$270 - \$90</u> <u>= \$180</u></p> <p><u>Adjusted Amount B:</u></p>

	<u>3 x adjusted Prescribed Contributions on Day 33</u> <u>= 3 x \$95</u> <u>= \$285</u>
	<u>Aggregate amount used to meet default losses from all events of default from Day 33 until the current event of default on Day 35</u> <u>= \$0</u>
	<u>Adjusted Amount B</u> <u>= \$285 - \$0</u> <u>= \$285</u>
	<u>Adjusted Amount A (\$180) is lower than Adjusted Amount B (\$285), therefore Adjusted Amount A applies for the purpose of Rule 7A.06.9.2.b and the amount that results under limb (b) is \$180.</u>

3.7 In this scenario, the amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from the second default that occurred on Day 35 is the lowest Adjusted Amount calculated pursuant to limb (b), which is **\$180**.

Scenario 4

3.8 Scenario 4: Continuing from Scenario 3, \$90 of the Clearing Member's CFD and FAA was used to meet losses suffered by the Clearing House arising from the second default on Day 35. A third default occurs on Day 37. This scenario illustrates the amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the default that occurred on Day 37.

3.9 Pursuant to Rule 7A.06.9.2, the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses arising suffered by the Clearing House arising from or in connection with the event of default on Day 37 is the lower of:

(a) <u>an amount equal to 3 times of the Clearing Member's Prescribed Contributions as at the start of the thirty-day period that ends on the day of the event of default (i.e. Day 37 – 29 days = Day 8) less the aggregate amount used to meet default losses from all preceding events of default (i.e. from Day 8 up until the current event of default); or</u>	<u>3 x Prescribed Contributions on Day 8</u> <u>= 3 x \$100</u> <u>= \$300</u>
	<u>Aggregate amount used to meet default losses from all preceding events of default from Day 8 until the current event of default on Day 37</u> <u>= \$90* + \$90**</u> <u>= \$180</u>
	<u>* From the default on Day 30</u> <u>** From the default on Day 35</u>

	<p><u>Amount that results under limb (a)</u></p> <p><u>= \$300 - \$180</u> <u>= \$120</u></p>
<p>(b) <u>where the Clearing Member's CFD was adjusted during the 30-day period, an Adjusted Amount equal to three (3) times of the consequently adjusted Prescribed Contributions less the aggregate amount of the Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default.</u></p>	<p><u>Rule 7A.06.9.2 states that in the event the Clearing Member's CFD is adjusted multiple times during the 30-day period, a separate Adjusted Amount shall be calculated for each adjustment and the lowest Adjusted Amount shall apply for the purpose of Rule 7A.06.9.2.b.</u></p> <p><u>In Scenario 3 from which this scenario continues, the Clearing Member's CFD was adjusted twice resulting in two adjusted Prescribed Contributions within the relevant 30-day period. Therefore two separate Adjusted Amounts will be calculated.</u></p> <p><u>Adjusted Amount A:</u></p> <p><u>3 x adjusted Prescribed Contributions on Day 26</u> <u>= 3 x \$90</u> <u>= \$270</u></p> <p><u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 37</u> <u>= \$90* + \$90**</u> <u>= \$180</u></p> <p><u>* From the default on Day 30</u> <u>** From the default on Day 35</u></p> <p><u>Adjusted Amount A</u> <u>= \$270 - \$180</u> <u>= \$90</u></p> <p><u>Adjusted Amount B:</u></p> <p><u>3 x adjusted Prescribed Contributions on Day 33</u> <u>= 3 x \$95</u> <u>= \$285</u></p> <p><u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 37</u> <u>= \$90**</u></p> <p><u>** From the default on Day 35</u></p>

	<p><u>Adjusted Amount B</u> <u>= \$285 - \$90</u> <u>= \$195</u></p> <p><u>Adjusted Amount A (\$90) is lower than Adjusted Amount B (\$195), therefore Adjusted Amount A applies for the purpose of Rule 7A.06.9.2.b and the amount that results under limb (b) is \$90.</u></p>
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3.10 The amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from the third default that occurred on Day 37 is the lowest Adjusted Amount calculated pursuant to limb (b), which is \$90.

Scenario 5

3.11 Scenario 5: Continuing from Scenario 4, \$90 of the Clearing Member's CFD and FAA was used to meet losses suffered by the Clearing House arising from the third default on Day 37. A fourth default occurs on Day 45. This scenario illustrates the amount of the non-defaulting Clearing Member's CFD and FAA that is available to meet losses suffered by the Clearing House arising from or in connection with the default that occurred on Day 45.

3.12 Pursuant to Rule 7A.06.9.2, the amount of a non-defaulting Clearing Member's CFD and FAA that is available to meet losses arising suffered by the Clearing House arising from or in connection with the event of default on Day 45 is the lower of:

<p>(a) <u>an amount equal to 3 times of the Clearing Member's Prescribed Contributions as at the start of the thirty-day period that ends on the day of the event of default (i.e. Day 45 – 29 days = Day 16) less the aggregate amount used to meet default losses from all preceding events of default (i.e. from Day 16 up until the current event of default); or</u></p>	<p><u>3 x Prescribed Contributions on Day 16</u> <u>= 3 x \$100</u> <u>= \$300</u></p> <p><u>Aggregate amount used to meet default losses from all preceding events of default from Day 16 until the current event of default on Day 45</u> <u>= \$90* + \$90** + \$90^</u> <u>= \$270</u></p> <p><u>* From the default on Day 30</u> <u>** From the default on Day 35</u> <u>^ From the default on Day 37</u></p> <p><u>Amount that results under limb (a)</u> <u>= \$300 - \$270</u> <u>= \$30</u></p>
<p>(b) <u>where the Clearing Member's CFD was adjusted during the 30-day period, an Adjusted Amount equal to three (3) times of the consequently adjusted</u></p>	<p><u>Rule 7A.06.9.2 states that in the event the Clearing Member's CFD is adjusted multiple times during the 30-day period, a separate Adjusted Amount shall be</u></p>

<p><u>Prescribed Contributions less the aggregate amount of the Clearing Member's CFD and FAA that has already been utilised to meet losses arising from or in connection with events of default that occurred after the day of that adjustment but before the event of default.</u></p>	<p><u>calculated for each adjustment and the lowest Adjusted Amount shall apply for the purpose of Rule 7A.06.9.2.b.</u></p> <p><u>In Scenario 3 from which this scenario continues, the Clearing Member's CFD had been adjusted twice resulting in two adjusted Prescribed Contributions within the relevant 30-day period. Therefore, two separate Adjusted Amounts will be calculated.</u></p> <p><u>Adjusted Amount A:</u></p> <table> <tr> <td><u>3 x adjusted Prescribed Contributions on Day 26</u></td><td><u>= 3 x \$90</u></td></tr> <tr> <td></td><td><u>= \$270</u></td></tr> <tr> <td><u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 45</u></td><td><u>= \$90* + \$90** + \$90^</u></td></tr> <tr> <td></td><td><u>= \$270</u></td></tr> <tr> <td><u>* From the default on Day 30</u></td><td></td></tr> <tr> <td><u>** From the default on Day 35</u></td><td></td></tr> <tr> <td><u>^ From the default on Day 37</u></td><td></td></tr> <tr> <td><u>Adjusted Amount A</u></td><td><u>= \$270 - \$270</u></td></tr> <tr> <td></td><td><u>= \$0</u></td></tr> </table> <p><u>Adjusted Amount B:</u></p> <table> <tr> <td><u>3 x adjusted Prescribed Contributions on Day 33</u></td><td><u>= 3 x \$95</u></td></tr> <tr> <td></td><td><u>= \$285</u></td></tr> <tr> <td><u>Aggregate amount used to meet default losses from all events of default from Day 33 until the current event of default on Day 45</u></td><td><u>= \$90** + \$90^</u></td></tr> <tr> <td></td><td><u>= \$180</u></td></tr> <tr> <td><u>** From the default on Day 35</u></td><td></td></tr> <tr> <td><u>^ From the default on Day 37</u></td><td></td></tr> <tr> <td><u>Adjusted Amount B</u></td><td><u>= \$285 - \$180</u></td></tr> <tr> <td></td><td><u>= \$105</u></td></tr> </table>	<u>3 x adjusted Prescribed Contributions on Day 26</u>	<u>= 3 x \$90</u>		<u>= \$270</u>	<u>Aggregate amount used to meet default losses from all events of default from Day 26 until the current event of default on Day 45</u>	<u>= \$90* + \$90** + \$90^</u>		<u>= \$270</u>	<u>* From the default on Day 30</u>		<u>** From the default on Day 35</u>		<u>^ From the default on Day 37</u>		<u>Adjusted Amount A</u>	<u>= \$270 - \$270</u>		<u>= \$0</u>	<u>3 x adjusted Prescribed Contributions on Day 33</u>	<u>= 3 x \$95</u>		<u>= \$285</u>	<u>Aggregate amount used to meet default losses from all events of default from Day 33 until the current event of default on Day 45</u>	<u>= \$90** + \$90^</u>		<u>= \$180</u>	<u>** From the default on Day 35</u>		<u>^ From the default on Day 37</u>		<u>Adjusted Amount B</u>	<u>= \$285 - \$180</u>		<u>= \$105</u>
<u>3 x adjusted Prescribed Contributions on Day 26</u>	<u>= 3 x \$90</u>																																		
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<u>Adjusted Amount B</u>	<u>= \$285 - \$180</u>																																		
	<u>= \$105</u>																																		

	Adjusted Amount A (\$0) is lower than Adjusted Amount B (\$105), therefore Adjusted Amount A applies for the purpose of Rule 7A.06.9.2.b and the amount that results under limb (b) is \$0.
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[3.13 In this case, the non-defaulting Clearing Member's CFD and FAA cannot be used to meet losses suffered by the Clearing House arising from the fourth default that occurred on Day 45 as the lowest Adjusted Amount calculated pursuant to limb \(b\) is \\$0.](#)

Schedule A

Chapter 2 — Clearing Membership

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 imposable by the DC
Rule Chapter/Number	Brief Description of Rule		1st Violation	2nd Violation	3rd Violation	
Chapter 2 — Clearing Membership						
2.28.2B [deleted]	Clearing Member not to increase its positions in any Contract during its Notice Period unless permitted by the Clearing House or under this Rules [deleted]	Compoundable [deleted]	\$2,000—\$4,000 [deleted]	\$4,000—\$7,000 [deleted]	\$7,000—\$10,000 [deleted]	N.A. [deleted]