

Amendments to the SGX-DC Clearing Rules

Note: Amendments are marked in red.

PROPOSED RULE AMENDMENTS	
...	
<b>Chapter 2</b>	<b>Clearing Membership</b>
...	
<b>2.13 Duties and Responsibilities of Clearing Members</b>	
<b>2.13.1</b>	
A Clearing Member shall, subject to the Rules, also have the following responsibilities and duties:—	
...	
2.13.1.2 Subject to the same being accepted by the Clearing House, <u>(i) to clear Non-Relevant Market Contracts and/or Contracts made on any Relevant Market by such members of the Relevant Market with whom it has agreed to clear, and (ii) to clear Connect Contracts made by such members with whom it has agreed to clear;</u>	
...	
...	
<b>2.20 Limits of Positions</b>	
<b>2.20.1</b>	
The Clearing House may from time to time establish limits on the positions owned or controlled by any person or persons acting in concert with respect to any Contracts including the Designated Futures Contracts <u>and the Connect Contracts.</u>	

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## Chapter 7 Clearing and Margins

### 7.01 Clearing House

#### 7.01.1

The Clearing House shall facilitate the prompt adjustment of contractual obligations arising out of:

- a. Contracts traded on the Exchange, or a Relevant Market ~~and the Participating Markets~~; and
- b. Non-Relevant Market Contracts
- c. [Deleted]

insofar as the same are duly accepted by the Clearing House or with respect to which the Clearing House is otherwise obliged to accept and to protect the integrity of such Contracts in accordance with these Rules.

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### 7.02 Limitation of Liability

#### 7.02.1

Without prejudice to any other limitation or exclusion of liability (including liability with respect to Contracts liable to delivery as opposed to cash settlement) the liability of the Clearing House shall be limited to net losses to the Clearing Members resulting from the substitution of the Clearing House by way of novation, creation of positions, or as otherwise described in Rule 7.04, in respect of Contracts to which Clearing Members are party

and/or, where the opposite side of the Contract is cleared through any other Relevant Market (or its clearing house), to net losses in connection with the substitution of such other Relevant Market (or its clearing house) for members of the same or its clearing house. This shall include the substitution of a Participating Market (or where relevant its clearing house) for members of the same or its clearing house pursuant to the Mutual Offset System. Without prejudice to the generality of the foregoing or to the provisions in Chapter 1, the Clearing House shall not be liable for obligations of a Clearing Member to any Third Party including a non-member of the Clearing House, obligations of a Clearing Member to another Clearing Member who is acting for him as broker or obligations to a Customer by a Clearing Member, nor shall the Clearing House become liable to make deliveries whether from any Third Party or any Clearing Member.

#### **7.02A Registration of Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions**

##### **7.02A.1 Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions**

7.02A.1.1 Only Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions which meet the following criteria will be eligible for registration with the Clearing House:

a. a transaction:

i. which falls under one of the classes of Eligible Non-Relevant Market Contracts; or

ii. in respect of a Contract listed on the Exchange or the Connect Contract which has been designated by the Exchange for NLT transactions and which meets the minimum volume thresholds, conditions and other procedures prescribed by the Exchange or the Clearing House from time to time; or

iii. in respect of a Contract listed on the Exchange for EFP transactions and EFS transactions which meets the procedures prescribed by the Exchange from time to time; and

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##### **7.02A.2 Registration of Non-Relevant Market Transactions, NLT transactions, EFP transactions and EFS transactions**

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7.02A.2.7 Each registration of a Non-Relevant Market Transaction, a NLT transaction, a EFP transaction or a EFS transaction, in order to be complete, must specify:

- a. the type(s) of Eligible Non-Relevant Market Contract(s) which the Non-Relevant Market Transaction falls under, or the Connect Contract, or the Contract listed on the Exchange to which the NLT transaction, EFP transaction or EFS transaction relates;

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#### **7.04 Substitution**

##### **7.04.1 Relevant Market Trades (other than trades matched on Connect Market)**

###### **7.04.1.1 Relevant Market trades (other than trades matched on Connect Market) cleared by two Clearing Members**

When a contract matched on a Relevant Market (other than trades matched on Connect Market) is cleared through the Clearing House by two Clearing Members, upon matching of the contract on the Relevant Market (other than trades matched on Connect Market), the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

...

###### **7.04.1.3 Relevant Market trades (other than trades matched on Connect Market) cleared by a Clearing Member and a clearing member of another Relevant Market or its clearing house**

Subject to Rule 7.04.1.4, when a contract matched on a Relevant Market (other than trades matched on Connect Market) is cleared by a Clearing Member and a clearing member of a Relevant Market or its clearing house (other than the Clearing House), the original contract shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. a Contract between the Clearing Member and Clearing House, wherein:
  - i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,

ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and

b. a Contract between the Relevant Market (or its clearing house) and the Clearing House, wherein:

i. the Relevant Market (or its clearing house) assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,

ii. the Relevant Market (or its clearing house) assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.1.4 The events described under Rule 7.04.1.3 shall take place only upon the occurrence of the following:

a. matching of the original contract on the Relevant Market (other than trades matched on Connect Market); and

b. confirmation by the Relevant Market (or its clearing house) that it will enter into the Contract described in Rule 7.04.1.3.b.

7.04.1.5 Notwithstanding Rule 7.04.1.4, the events described under Rule 7.04.1.3 shall be deemed not to have taken place if the Clearing House has received corrupt or unreadable data in respect of the original contract, or if the original contract is based on a series that is not eligible for clearing. Clearing Members will be notified in such instances.

**7.04.1A [Rule has been deleted.]**

**7.04.1B Trades matched on Connect Market**

**7.04.1B.1 Trades matched on Connect Market cleared by two Clearing Members**

When a Connect Contract matched on a Connect Market is to be cleared by two Clearing Members of the Clearing House, upon matching of the Connect Contract on the Connect Market, two separate and distinct Contracts will be created as described below, both of which based on the same terms as the original Connect Contract:

a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and

b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.

7.04.1B.2 Clearing Members shall at all times be solely liable to the Clearing House in respect of all clearing and settlement obligations arising out of the Contracts created in Rule 7.04.1B.1.

**7.04.1B.3 Trades matched on Connect Market cleared by a Clearing Member and where only one of the counterparties to the trade is a Clearing Member**

When a Connect Contract matched on a Connect Market is to be cleared by a Clearing Member and where only one of the counterparties to the trade is a Clearing Member, upon matching of the Connect Contract on the Connect Market, two separate and distinct Contracts will be created as described below, both of which based on the same terms as the original Connect Contract:

a. a Contract between the Clearing Member and Clearing House, wherein:

- i. the Clearing House assumes the position of the buyer if the Clearing Member assumes the position of the seller, and conversely,
- ii. the Clearing House assumes the position of the seller if the Clearing Member assumes the position of the buyer; and

b. a Contract between the Connect Broker and the Clearing House, wherein:

- i. the Connect Broker assumes the position of the buyer if the Clearing House assumes the position of the seller, and conversely,
- ii. the Connect Broker assumes the position of the seller if the Clearing House assumes the position of the buyer.

7.04.1B.4 Clearing Members and the Connect Broker shall at all times be solely liable to the Clearing House in respect of all clearing and settlement obligations arising out of the Contracts created in Rule 7.04.1B.3.

7.04.1B.5 The events described under Rule 7.04.1B shall be deemed not to have taken place if the Clearing House has received corrupt or unreadable data in respect of the original contract, or if the original contract is based on a series that is not eligible for clearing, or such trades are cancelled by the Connect Exchange or not cleared by the Connect Counterparty. Clearing Members will be notified in such instances.

**7.04.2 Off Market Trades (other than NLT transactions for Connect Contracts)**

**7.04.2.1 Non-Relevant Market Transactions, EFP transactions, EFS transactions and NLT transactions (other than NLT transactions for Connect Contracts) cleared by two Clearing Members**

When a Non-Relevant Market Transaction, EFP transaction, EFS transaction or NLT transaction (other than NLT transactions for Connect Contracts) that is eligible for registration pursuant to Rule 7.02A.1.1 and that is registered pursuant to Rule 7.02A.2 between two Clearing Members is cleared through the Clearing House, upon the Clearing House issuing to the Clearing Members a Notice of Novation that the transaction has been accepted for clearing, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

...

**7.04.2.4 EFP transactions, EFS transactions and NLT transactions (other than NLT transactions for Connect Contracts) cleared by a Clearing Member and a clearing member of another Relevant Market (or its clearing house)**

When an EFP transaction, EFS transaction or NLT transaction (other than NLT transactions for Connect Contracts) that is eligible for registration pursuant to Rule 7.02A.1.1 and that is registered pursuant to Rule 7.02A.2 between a Clearing Member and a clearing member of a Relevant Market or its clearing house (other than the Clearing House) is cleared through the Clearing House, upon the Clearing House issuing to the Clearing Member and clearing member a Notice of Novation that the transaction has been accepted for clearing, the original contract shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

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**7.04.2A Off Market Trades for Connect Contracts**

**7.04.2A.1 NLT transactions for Connect Contracts cleared by two Clearing Members**

When a NLT transaction for Connect Contracts that is eligible for registration pursuant to Rule 7.02A.1.1 and that is registered pursuant to Rule 7.02A.2 between two Clearing Members is cleared through the Clearing House, upon the Clearing House issuing to the Clearing Members a Notice of Novation that the transaction has been accepted for clearing, the original contract between the Clearing Members shall be discharged and replaced with two separate and distinct Contracts as described below, both of which are on the same terms as the original contract:

- a. the Clearing Member who assumes the position of the buyer shall enter into a Contract with the Clearing House, which assumes the position of the seller, and
- b. the Clearing Member who assumes the position of the seller shall enter into a Contract with the Clearing House, which assumes the position of the buyer.

A "Notice of Novation" for the purpose of Rule 7.04.2A means a "BD4" message or such other message that the Clearing House may inform Clearing Members will be used in place of a "BD4" message.

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**7.04.3.4 Transfers for consolidation from a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market) to a Clearing Member**

Subject to Rule 7.04.3.5, when an open position is transferred from a clearing member of any other Relevant Market (or its clearing house) (other than the Connect Market) to a Clearing Member pursuant to Rule 6.05.2 for the purpose of consolidation, two separate and distinct Contracts shall be created on the same terms as the open position:

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**7.04.3.6 Transfers for consolidation from a Clearing Member to a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market)**

Subject to Rule 7.04.3.7, when an open position is transferred from a Clearing Member to a clearing member of any other Relevant Market (or its



clearing house) (other than the Connect Market) pursuant to Rule 6.05.2 for the purpose of consolidation, the Contract between the Clearing Member and the Clearing House in respect of the open position shall be terminated.

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**7.04.3.8 Transfers pursuant to Rule 7.28 from a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market) to a Clearing Member**

Subject to Rule 7.04.3.9, when an open position is transferred from a clearing member of any other Relevant Market (or its clearing house) (other than the Connect Market) to a Clearing Member pursuant to Rule 7.28 at the request of a Customer, two separate and distinct Contracts shall be created on the same terms as the open position:

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**7.04.3.10 Transfers pursuant to Rule 7.28 from a Clearing Member to a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market)**

Subject to Rule 7.04.3.11, when an open position is transferred from a Clearing Member to a clearing member of any other Relevant Market (or its clearing house) (other than the Connect Market) pursuant to Rule 7.28 at the request of a Customer, the Contract between the Clearing Member and the Clearing House in respect of the open position shall be terminated.

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**7.04.3.16 Transfers pursuant to Rule 7.27.1.5 for order fill/give-up from a Clearing Member or a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market) to another Clearing Member**

Subject to Rule 7.04.3.17, when an open position is transferred for the purpose of filling an order or as a give-up by a Clearing Member or a clearing member of another Relevant Market (or its clearing house) (other than the Connect Market) ("Original Party") to another Clearing Member ("New Party") pursuant to Rule 7.27.1.5, the original Contract between the Original Party and the Clearing House in respect of the open position shall be

discharged and replaced by a separate and distinct Contract between the New Party and the Clearing House on the same terms as the original Contract, as described below:

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#### **7.04A Registration of an NLT, EFP or EFS in Respect of Contracts Listed on a Relevant Market**

##### **7.04A.1**

With regard to an NLT, EFP or EFS in respect of any Contract listed for trading on a Relevant Market (other than the Connect Contracts) to be cleared through the Clearing House, Clearing Members shall comply with requirements for the registration of such NLT, EFP or EFS, as set forth in the rules of the Relevant Market.

##### **7.04A.2**

With regard to an NLT in respect of the Connect Contracts, Clearing Members shall comply with requirements for the registration of NLT transactions, as set forth in Rule 7.02A.

#### **7.05 Open Positions/Open Contracts for Contracts Traded on the Exchange/Any Relevant Market and Non-Relevant Market Contracts**

##### **7.05.1**

All Contracts to which the Clearing House is a party shall remain open until liquidated by offset as provided in Rule 7.06, terminated in accordance with Rule 7A.07, Rule 7A.02.1.5A or Rule 7A.02A, or by delivery in accordance with Chapter 6 of this Rules, and

7.05.1.1 for Non-Relevant Market Contracts, such liquidation or delivery shall be in accordance with these Rules; and

7.05.1.2 for other Contracts (other than the Connect Contracts) such liquidation or delivery shall be in accordance with the relevant provision(s) of the Relevant Market where the Contracts were traded and/or transferred or novated from pursuant to a Mutual Offset System and this Rules.

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## 7.11 Daily Settlement Price

### 7.11.1

The daily settlement price of a Contract shall be determined:

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7.11.1.2 in all other Contracts (other than Connect Contracts), in accordance with the relevant formula and procedures applicable to each Contract, as determined by the Clearing House. In arriving at such formula, the Clearing House may, in consultation with the Exchange, take into account factors, including but not limited to:

- a. the last traded price;
- b. bid and offer spread at the close of market; and
- c. price data derived from pricing models, as selected or established by the Clearing House from time to time.

*Refer to Practice Note 7.11.1.2.*

7.11.1.3 in the Connect Contracts, in accordance with the relevant formula and procedures, as determined by the Clearing House.

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## 7.13 Settlement Variation for Contracts Cleared by the Clearing House Traded on the Exchange/Any Relevant Market or Non-Relevant Market Contracts

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## 7.27 Transfers of Trades

**7.27.1**

Subject to the approval of the Clearing House:

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7.27.1.5 A trade made on a Relevant Market by a Clearing Member or a member of the Relevant Market (other than the Connect Market) (the "Executing Member") intended to be an order fill or to be given up to (i.e. placed on the books of) a Clearing Member (the "Recipient Member") other than the Executing Member or (where relevant) its qualifying member, may be placed or transferred into the books of the Recipient Member subject to compliance with Rule 7.27.3.

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**7.28 Inter-Clearing House Transfers of Positions**

**7.28.1**

Subject to the approval of the Clearing House, existing positions may be transferred between the books of a Clearing Member and the clearing member of any other Relevant Market (other than the Connect Market) at the request of the Customer, if:

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**Chapter 7A Suspension and Default**

**7A.01 Suspension of Clearing Members**

**7A.01.1**

The Clearing House shall be entitled to restrict the activities of the Clearing Member on the Clearing House or suspend the Clearing Member without prior notice if:

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7A.01.1.2 unless exempted, [the Clearing Member](#) ceases to hold a valid Capital Markets Services Licence as prescribed under the SFA, or ceases to be authorised to conduct banking business in Singapore pursuant to section 4 of the Banking Act, where applicable;

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#### **7A.01A Events of Default**

##### 7A.01A.1

On the occurrence of any of the following events, or if the Clearing House in its discretion determines that any of the following events has occurred, the Clearing House may declare an event of default:—

...

b. the insufficiency of the Collateral of any other Relevant Market ([other than the Connect Market](#)), including a Participating Market, available to the Clearing House to fully meet such other Relevant Market's and/or its clearing house's obligations to the Clearing House; or

...

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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 Except 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:

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#### **7A.01A.2C Application of the Clearing House First Loss Contribution**

7A.01A.2C.1 Subject to Rule 7A.01A.2C.2, the Clearing House First Loss Contribution shall be apportioned, in such proportion as the Clearing House determines, to meet losses in each Contract Class in which an event of default and/or Trigger Event has occurred.

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#### **7A.01A.2D Application of Clearing Fund Deposits of Active Clearing Members**

7A.01A.2D.1 Subject to Rule 7A.01A.2D.2 and Rule 7A.01A.2D.4, the Clearing Fund Deposits deposited by Active Clearing Members to clear the Contract Class in which an event of default and/or Trigger Event has occurred shall be applied to meet the losses in that Contract Class.

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#### **7A.01A.2E Application of the Clearing House Intermediate Contribution**

7A.01A.2E.1 Subject to Rule 7A.01A.2E.2, the Clearing House Intermediate Contribution shall be apportioned, in such proportion as the Clearing House determines, to meet losses in each Contract Class in which an event of default and/or Trigger Event has occurred.

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**7A.01A.2F Application of the Connect Layer upon the declaration of Trigger Event**

7A.01A.2F.1 The Connect Layer shall be applied in the following order of priority, with each source of funds to be exhausted before the next source is applied, to meet losses suffered by the Clearing House arising out of the management, including termination or liquidation, of the Connect Broker's positions in the Connect Contract, when a Trigger Event has been declared, provided the Connect Counterparty's collateral has been fully applied in accordance with Rule 7A.05.1.6:

a. first, the Clearing House Connect Layer First Loss Contribution;

b. second, the Clearing Member Connect Layer Contribution Requirement, in the manner set out in Rule 7A.01A.2G; and

c. third, any other Clearing House contribution to the Connect Layer.

7A.01A.2F.2 Where the Connect Layer has been exhausted and there are residual losses remaining, the Clearing Fund shall be applied in accordance with Rule 7A.01A.2B.2.

**7A.01A.2G Application of the Clearing Member Connect Layer Contribution Requirement**

Where the Clearing House Connect First Loss Contribution has been exhausted and there are residual losses outstanding, the Clearing Member Connect Layer Contribution Requirement will be applied to cover the losses. The Clearing Members' liability for the residual loss will be on a pro-rata basis, calculated based on their respective contribution requirement.

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**7A.01A.8**

Where an event of default is due to:

(i) the insufficiency of the Collateral of any ~~other~~ Relevant Market including a Participating Market, available to the Clearing House to fully meet the obligations of such Relevant Market and/or its clearing house to the Clearing House; or

(ii) the insolvency of the ~~other~~ Relevant Market;

a default shall be deemed to have occurred in the class of Contracts that are listed for trading on the Exchange or the Relevant Market.

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#### **7A.01C Trigger Events under the Connect**

The Clearing House may declare that a Trigger Event has occurred in respect of the Connect Counterparty and/or Connect Broker when it determines, in its sole discretion, that any of the following has occurred:

- a. Failure of the Connect Counterparty to provide collateral to meet the margin or collateral requirements within the agreed timelines; or
- b. The Connect Counterparty fails to meet its settlement obligations to the Connect Broker, whether partially or wholly, and such failure results in the Connect Broker failing to meet its settlement obligations to the Clearing House.

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#### **7A.02A Open Positions of Connect Broker and Clearing Members holding Positions in Connect Contracts**

7A.02A.1 Upon the declaration of a Trigger Event or where the Clearing House determines, in its sole discretion, that it will cease to clear the Connect Contracts due to a termination or discontinuation of the Connect, the Clearing House may require Clearing Members to close out or liquidate all or such part of positions in Connect Contracts. Notwithstanding the preceding, the Clearing House may at its discretion, at any time by notice in writing to the Connect Broker and/or Clearing Members holding positions in Connect Contracts, specify one or more date(s) for the termination of any or all of the Connect Contracts to which it is a party.



7A.02A.2 The Clearing House may prescribe termination price(s) for any or all of the Connect Contracts by reference to the prices derived from the Connect Market or such other prices as it may determine in its sole discretion.

7A.02A.3 The Clearing House shall on the termination date(s) specified in Rule 7A.02A.1 terminate positions in any or all Connect Contracts at the termination price(s) prescribed in Rule 7A.02A.2.

7A.02A.4 Notwithstanding the above, the Clearing House may undertake any additional action it deems necessary in relation to the management of the open positions for the Connect Contracts, including those which are ancillary or incidental to activities set out under Rule 7A.02A.

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### **7A.02.3**

7A.02.3.1 All costs and expenses sustained by the Clearing House in connection with any steps which are or may be taken by the Clearing House pursuant to Rule 7A.02.1, including losses incurred from authorized hedging transactions and the unwinding of such hedging transactions, shall be charged to the account of the defaulted Clearing Member after all outstanding rights and liabilities in respect of all its Contracts with the Clearing House have been determined, and shall be set off against all other amounts owed and owing between the defaulted Clearing Member and the Clearing House, to produce a net sum payable by either party to the other.

7A.02.3.2 All costs and expenses incurred by the Clearing House in connection with any steps which may be taken by the Clearing House in pursuant to Rule 7A.02A to liquidate the position of the Connect Broker in the event of a Trigger Event will be charged to the Connect Counterparty and be satisfied by the use of the Connect Counterparty's collateral.

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### **7A.05 Protection of Clearing House**

**7A.05.1 Failure by Clearing Member and any other Relevant Market (or its Clearing House) to discharge its obligations to the Clearing House in respect of Contracts**

Without prejudice and subject to the other provisions of this Rules:

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7A.05.1.6 If a Relevant Market, including a Participating Market and Connect Market, and/or its clearing house as the case may be (i) fails to promptly discharge any of its obligations to the Clearing House arising out of any arrangement relating to the clearing of Contracts, including the Mutual Offset System and the Connect, or (ii) is liable to the Clearing House for any losses arising out of its default, the Collateral of such Relevant Market, and in the case of the Connect, the Connect Counterparty's collateral, shall be applied by the Clearing House to discharge the obligation.

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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.

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.06A Connect Layer**

##### **7A.06A.1 Sources of Funds to Support Losses Borne by Clearing House**

7A.06A.1.1 The Connect Layer fund size shall be determined by the Clearing House.

7A.06A.1.2 The Connect Layer shall comprise:

- a. the Clearing House Connect Layer Contribution; and
- b. the Clearing Member Connect Layer Contribution Requirement.

7A.06A.1.3 The Clearing Member's proportionate share of the total Connect Layer required from all Clearing Members participating in the Connect Contracts ("Clearing Member Connect Layer Contribution Requirement"), shall be an amount determined by the Clearing House. Each Clearing Member's proportionate share of the total Connect Layer shall be determined based on the exposure that the Clearing Member brings to the Clearing House for their Connect positions, as well as its exposure relative to the Connect Broker's net positions, taking into account factors including, but not limited to, the average stress loss of the Clearing Member's Connect positions over a preceding period of up to three months.

**7A.06A.2 Clearing House Connect Layer Contribution**

7A.06A.2.1 The total contribution by the Clearing House to the Connect Layer (“Aggregate Clearing House Connect Layer Contribution”) shall be at least an amount equivalent to 25% of the Connect Layer size, and allocated as follows:

- a. an amount of not less than 15% of the Connect Layer size shall form the Clearing House Connect Layer First Loss Contribution as referred to in Rule 7A.01A.2F.1.a; and
- b. any remaining amount shall form any other Clearing House contribution to the Connect Layer referred to in Rule 7A.01A.2F.1.c.

7A.06A.2.2 Aggregate Clearing House Connect Layer Contribution shall comprise the following, where such funds are available:

- a. the capital of the Clearing House;
- b. the net proceeds of financial guarantee and/or default insurance; and
- c. any other financial instrument.

**Chapter 9 Definitions and Interpretation**

<b>A</b>	
"Active Clearing Member"	means a Clearing Member who, in respect of a Contract Class, has cleared Contracts or an open commitment in Contracts belonging to the Contract Class in which an event of default <u>and/or Trigger Event</u> has occurred during the Relevant Period.
<u>“Aggregate Clearing House Connect Layer Contribution”</u>	<u>shall have the meaning ascribed to it in Rule 7A.06A.2.1.</u>
...	...
<b>C</b>	
...	

<u>“Clearing House Connect Layer Contribution”</u>	<u>means the total contribution by the Clearing House to the Connect Layer pursuant to Rule 7A.06A.2.</u>
...	
<u>“Clearing Member Connect Layer Contribution Requirement”</u>	<u>means an amount required to be contributed by Clearing Members participating in the Connect Contracts to the Connect Layer in accordance with Rule 7A.06A.1.3.</u>
...	
“Collateral”	means all or any of the monies and assets deposited with, or otherwise provided to, the Clearing House by or for a Clearing Member as margin, Clearing Fund Deposit, Further Assessment Amount, <u>Clearing Member Connect Layer Contribution Requirement</u> or any other form of credit support and/or security as may be required under this Rules or as otherwise directed by the Clearing House, but shall not include Performance Deposits or other Escrow Assets.
...	...
<u>“Connect”</u>	<u>means the NSE IFSC - SGX Connect, an arrangement established for the purpose of facilitating access to trading of Connect Contracts on the Connect Market by Trading Members.</u>
<u>“Connect Broker”</u>	<u>means SGX India Connect IFSC Private Limited.</u>
<u>“Connect Contract”</u>	<u>means an instrument, contract or transaction, or class of instruments, contracts or transactions that are designated in Appendix 2 for clearing.</u>
<u>“Connect Counterparty”</u>	<u>means the NICCL or such other entity as may be referred to for the purposes of facilitating access to clearing of Connect Contracts in GIFT.</u>
<u>“Connect Exchange”</u>	<u>means the NSE IFSC or such other entity as may be referred to for the purposes of facilitating access to trading of Connect Contracts in GIFT.</u>
<u>“Connect Layer”</u>	<u>means the additional layer of funds as established in accordance with Rule 7A.06A for the purposes of the Connect.</u>
<u>“Connect Market”</u>	<u>means the market operated by the NSE IFSC in GIFT and accessed via the Connect Broker.</u>

...	...
<b>G</b>	
...	...
<u>"GIFT"</u>	<u>means Gujarat International Finance Tec-City.</u>
...	...
<b>N</b>	
...	...
<u>"NICCL"</u>	<u>means NSE IFSC Clearing Corporation Limited.</u>
...	...
<u>"NSE IFSC"</u>	<u>means NSE IFSC Limited.</u>
...	...
<b>R</b>	
"Relevant Market"	means any Market or any organisation (whether an exchange, association, corporation or otherwise) responsible for administering a futures, options, stock or other market as the Clearing House may prescribe, and includes the Exchange, <u>Connect Market</u> and each Participating Market.
...	...
"Relevant Period"	in relation to an event of default <u>and/or Trigger Event</u> , refers to a period of six (6) months preceding the day the event of default <u>and/or Trigger Event</u> was declared by the Clearing House.
...	...
<b>T</b>	

...	
<u>“Trigger Event”</u>	<u>an event declared by the Clearing House as set out in Rule 7A.01C.</u>

## Appendix 2 — Contracts of Other Relevant Markets Accepted by the Clearing House

Subject to any conditions or limitations set forth in this Rules, the Clearing House shall clear the following Contracts:

...

### 2. Connect Contracts that are available for trading under the Connect Market:

- a. NSE IFSC Nifty 50 Index Futures
- b. NSE IFSC Nifty Bank Index Futures
- c. NSE IFSC Nifty IT Index Futures
- d. NSE IFSC Nifty Financial Services Index Futures
- e. NSE IFSC Nifty 50 Index Options



[f. NSE IFSC Nifty Bank Index Options](#)

[g. NSE IFSC Nifty IT Index Options](#)

[h. NSE IFSC Nifty Financial Services Index Options](#)

### Practice Note 2.28A.1.3 — Pre-Execution Checks

...

#### 2. Pre-Execution Checks

...

2.3 Clearing Members will be able to meet the requirement in Rule 2.28A.1.3 by using the appropriate ~~Exchange-hosted~~ pre-execution checks [hosted by the Exchange, or the Connect Broker for the Connect Market](#), or by directly setting and controlling the appropriate pre-determined automated limits in the Trading Member's system, having automated alerts whenever such limits are altered, and by conducting regular post-execution reviews of trades. Clearing Members should assess and continue to ensure that the pre-execution risk management control checks are robust on an ongoing basis.

### Schedule A

#### Chapter 7A – Suspension and Default

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
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Rule Chapter/Number	Brief Description of Rule		1 <sup>st</sup> Violation	2 <sup>nd</sup> Violation	3 <sup>rd</sup> Violation	
<b>Chapter 7A – Suspension and Default</b>						
...						
<a href="#">7A.06A.1.3</a>	<a href="#">Clearing Member participating in Connect Contracts to place Clearing Member Connect Layer Contribution Requirement with the Clearing House</a>	<a href="#">Not Compoundable</a>	<a href="#">Not Compoundable</a>			<a href="#">\$10,000</a>
...						