



**Central Counterparty Clearing House (“CCP”)**

## **SECURITIES CLEARING CENTRE RULES**

*Approved by the Board of the Capital Market Authority Pursuant to its Resolution Number  
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**Arabic is the official language of the Securities Clearing Centre**

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## **PRELIMINARY PROVISIONS**

### **Article 1. Preliminary Provisions**

- a. All references to the “Capital Market Law” in these Rules are to the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. The expressions and terms in these Rules carry the same meaning as they do in the Capital Market Law and in the Glossary of defined terms used in the Exchange Rules unless the text explicitly notes an alternate meaning.
- c. These Rules shall not prejudice the provisions of the Capital Market Law, its Implementing Regulations or other relevant laws.
- d. To any person who subject to these rules, whether an applicants or otherwise may grievance to the committee on any decision or action taken by the authority according to securities clearing center rules.

### **Article 2. Scope**

The purpose of these Rules is to regulate:

- a. Clearing Membership and access of Clearing Members to the Clearing House;
- b. Non-Clearing Members and their access to the Clearing House;
- c. the disclosure of information by Clearing Members to the Clearing House;
- d. the consequences of a default by Clearing House or any of its Clearing Member; and
- e. the relationship between Clients and Clearing Members, and their rights and obligations under the Clearing Documentation.

### **Article 3. Waiver**

The Clearing House may, after obtaining the Authority’s approval, waive any requirement in these Rules based either on a request from the relevant person or on its own initiative.

### **Article 4. Limit of Liability**

- a. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulation and these Rules, with the exception of intentional or serious mistake, the Clearing House is not liable for any damages or losses incurred by Clearing Members, or their Clients, that may arise directly or indirectly as a result of:
  1. any procedures, orders, or transactions subject to these Rules;

2. any act or omission, including any delay on the part of any Clearing Member or any other third party, or failure by any Clearing Member to comply with the Clearing Documentation;
  3. the partial or complete suspension or closure of the Clearing House or its services or any relevant market;
  4. the exercise by the Clearing House of any of its powers under these Rules; or
  5. any service failure attributable to the Clearing House due to an event outside of its control.
- b. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations, the Banking Control Law, the regulations issued by SAMA from time to time and the Exchange Rules, and with the exception of intentional or serious mistakes, the Clearing House makes no guarantees and assumes no liability for the accuracy, timeliness, or completeness of market data or any other information published on its website from time to time.

**Article 5. Record Keeping and Disclosure of Information**

- a. The Clearing House shall keep, for at least ten years, records of all data or information available to it under the Clearing Documentation or that has been provided to it by a Clearing Member or otherwise concerning a Clearing Member.
- b. Without prejudice to other laws and regulations, the Clearing House may only supply information concerning the clearing activities of a Clearing Member to:
  1. the Exchange or any other exchange or any other Clearing Organisation with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to exchange information as required and contemplated by the Exchange Rules or the rules of any other exchange or any other Clearing Organisation;
  2. the Authority, SAMA or any other government authority which is entitled to receive or request any such details or information in accordance with the relevant laws and regulations;
  3. any Affiliate of the Clearing House;
  4. any other person or body to which the Clearing House is legally required to disclose the information;
  5. any other person or body to which the Clearing House has agreed to provide the information in connection with the activities of the relevant Clearing Member which are subject to the Clearing Documentation; and that's for the purpose of applying these rules.
  6. a trade or data repository or similar body on an ongoing basis in the ordinary course of business;

7. any securities depository or securities settlement system on an ongoing basis in the ordinary course of business; and
8. any other person specified by the Authority.

**PART 1**  
**CLEARING MEMBERSHIP**

**Chapter I: Scope and Application**

**Article 6. Clearing Membership**

- a. Clearing Membership shall be governed by under the Clearing Documentation.
- b. Without prejudice to paragraph (c) of this Article, the Clearing Membership is comprised of the following classes:
  1. Direct Clearing Member; and
  2. General Clearing Member.
- c. The Clearing House shall, after obtaining the Authority's approval, have the right to introduce different classes of Clearing Membership.

**Article 7. Conditions for Acquiring a Clearing Membership**

- a. An Applicant that wishes to apply for Clearing Membership must meet the following conditions on an on-going basis:
  1. satisfy at least one of the following requirements:
    - i. be an authorised person authorised by the Authority to conduct the securities activity of dealing (as principal or agent); or
    - ii. have been designated as an 'exempt' person by the Authority; or
    - iii. be a Local Bank which is regulated by SAMA which has received a non-objection letter from both the Authority and SAMA to act as a Clearing Member;
  2. have in place all required regulatory authorisations, licences, permissions and approvals in the Kingdom;
  3. have sufficient resources (including financial resources) to support its intended operations as a Clearing Member;
  4. comply with the minimum Capital requirements specified by the Clearing House pursuant to Article 12 of these Rules;
  5. comply with the credit criteria in the Clearing Procedures;

6. provide evidence of its ability to make the required Upfront Default Fund Contribution and, where applicable, any Supplemental Default Fund Contribution;
  7. provide evidence of its ability to make sufficient Margin available to the Clearing House and evidence the ability to provide Margin on an on-going basis in accordance with the requirements of these Rules;
  8. meet the technical, technological, security, and business continuity requirements determined by the Clearing House to ensure that Applicants may connect to and, once connected, maintain the efficiency and security of the relevant systems;
  9. have in place robust internal risk management systems, internal audit and IT systems;
  10. have appropriately qualified employees for the provision of clearing services with sufficient knowledge, experience, training and competence to enable compliance with all requirements under these Rules;
  11. have sufficient knowledge, understanding and expertise in relation to the types of transactions that it intends to clear;
  12. not be subject to any circumstances that, if the Applicant were a Clearing Member, could lead to an Event of Default;
  13. to the extent the Applicant intend to deposit securities as collateral, have the suitable arrangements for custody and transfer of securities at the Depository Centre, either by being a Custody Member or appointing a Custody Member.
  14. be able to transfer cash collateral to/from the Clearing House either by being a Local Bank or appointing a Local Bank;
  15. not be subject to sanctions, either in the Kingdom or outside the Kingdom;
  16. have paid any applicable fees; and
  17. have complied with any other condition imposed by the Clearing House, and provided that where the Applicant is a Local Bank regulated by SAMA, the Clearing House shall consult with SAMA before imposing any such additional condition.
- b. In addition to satisfying the conditions set out in paragraph (a) of this Article, the Clearing Member must satisfy the following:
1. the conditions specified in Article 8 of these Rules, where the Applicant is applying for a Direct Clearing Membership; or
  2. the conditions specified in Article 9 of these Rules, where the Applicant is applying for a General Clearing Membership.

**Article 8. Additional conditions to become a Direct Clearing Member**

An Applicant that wishes to apply for Direct Clearing Membership must also be an Exchange Member.

**Article 9. Additional conditions to become a General Clearing Member**

- a. An Applicant that wishes to apply for General Clearing Membership must also have the necessary operational capacity required to perform any intended clearing transactions on behalf of Non-Clearing Members, which include:
  1. employing sufficient, well qualified, personnel who should be able to monitor the transactions being cleared by its Non-Clearing Members, the credit worthiness of its Non-Clearing Members and the arrangements it has in place to mitigate its credit exposure to such Non-Clearing Members; and
  2. having information technology systems that allow continuous monitoring of the transactions and collateral being provided by its Non-Clearing Members.
- b. The Clearing Procedures may impose additional Capital requirements with respect to General Clearing Members.

**Article 10. Clearing Member Application Procedure and the Powers of the Clearing House**

- a. An Applicant wishing to become a Clearing Member must submit a written application requesting admission as a Clearing Member to the Clearing House in the form prescribed by the Clearing House.
- b. Upon receipt of the application mentioned in paragraph (a) of this Article, the Clearing House will review the application to determine whether the Applicant meets the required conditions of these Rules.
- c. Without prejudice to paragraph (a) of this Article, where the Applicant is a Local Bank it must have obtained a non-objection letter from both the Authority and SAMA to act as a Clearing Member and have provided a copy of such non-objection letter to the Clearing House as part of its written application requesting admission.
- d. To discharge the obligation noted in paragraphs (b) of this Article (or, as the case may be, to verify that a Clearing Member has remained in compliance with the required conditions of Articles 7, 8 and 9 of these Rules on an ongoing basis), the Clearing House may:
  1. carry out any inquiry it considers appropriate;
  2. require the Applicant (or Clearing Member) or a representative to appear before the Clearing House to answer questions or explain any matter the Clearing House considers relevant to the application;

3. require the Applicant (or Clearing Member) or a representative to provide any additional information the Clearing House considers necessary within 10 Days of the request;
  4. liaise with the Authority or SAMA at any time; and/or
  5. verify any information supplied by the applicant (or Clearing Member).
- e. The Clearing House may determine that an Applicant (or Clearing Member) does not meet the conditions set out in these Rules when said Applicant (or Clearing Member) or any third party does not comply with the requirements or requests (as applicable) listed in subparagraphs (1), (2), and (3) of paragraph (d) of this Article.
- f. Upon receipt of all information and documents it requires, the Clearing House will then make one of the following decisions within 60 days of receiving the application:
1. approve the application if it determines that the Applicant meets the required conditions, together with any limitations the Clearing House considers appropriate; or
  2. refuse the application, and provide reasons thereof.
- g. If the Clearing House resolves to grant an applicant a Clearing Membership, it will notify:
1. the Applicant of this in writing in accordance with subparagraph (1) of paragraph (f) of this Article and the class of membership awarded; and
  2. SAMA, where the Applicant is a Local Bank regulated by SAMA.
- h. If the Clearing House resolves to refuse the application for Clearing Membership in accordance with subparagraph (2) of paragraph (f) of this Article, it will notify:
1. the Applicant in writing; and
  2. SAMA, where the Applicant is a Local Bank.

## **Chapter II: Roles and Responsibilities Applicable to Clearing Members**

### **Article 11. Obligations of Clearing Members**

Clearing Members must, at all times, comply with the following:

- a. the Capital Market Law, its Implementing Regulation, the Exchange Rules, any instructions issued by the Authority or the Clearing House and all relevant laws and regulations;
- b. any condition or limitation placed on the activities of Clearing Members by the Authority, the Clearing House and/or SAMA, where the Applicant is a Local Bank regulated by SAMA (where applicable);

- c. all requirements listed in the Clearing Documentation and any amendment made to the Clearing Documentation from time to time;
- d. ensure that its Clients comply with their obligations in relation to all clearing business conducted by the Clearing Member; and
- e. have an on-site and off-site backup system for all critical data related to the services the Clearing Member provides.

#### **Article 12. Capital Requirements**

- a. Each Clearing Member must, at all times, maintain a minimum Capital of SAR 50 million, or as may be specified in the Clearing Procedures from time to time.
- b. Each Clearing Member must provide any information or documentation requested by the Clearing House in order to enable the Clearing House to confirm the Clearing Member's compliance with the minimum Capital requirements at a particular point in time.

### **Chapter III: Obligations and Notifications**

#### **Article 13. Provision of Information by Clearing Members**

Each Clearing Member must provide, within such time period as the Clearing House shall specify in its discretion, all records, books, statements, accounts or any other information relating to the Clearing Member and its function responsible for the provision of clearing services as the Clearing House may reasonably demand to ensure compliance with the Clearing Documentation.

#### **Article 14. Notifications by Clearing Members**

- a. Each Clearing Member must immediately notify the Clearing House in writing providing full details within its knowledge:
  - 1. as soon as it becomes aware of that change or proposed change of Control, subject to disclosure requirements under any other laws and regulations in relation to the change of Control;
  - 2. of any non-compliance with the minimum Capital requirements detailed at Article 12;
  - 3. of any decrease in Capital of more than 10% from that shown on its latest financial statement provided to the Clearing House;
  - 4. of any breach of or non-compliance with, or suspected breach of or non-compliance with, the Clearing Documentation or any other laws and regulations in relation to its status or obligations as a Clearing Member, whether by the Clearing Member, its Affiliates, or any other person acting on its behalf;

5. of any Event of Default affecting it or of any event, matter, circumstance or change which would give rise to the occurrence of an Event of Default; and/or
  6. of any other event, matter, circumstance or change relating to the Clearing Member, its Affiliates, or any other person acting on its behalf, of which the Clearing House would reasonably expect notice, which would cause the event, matter, circumstance or change any information previously provided by the Clearing Member to the Clearing House for any reason to be inaccurate, incomplete or void, or which may have a material impact on the Clearing Member's satisfaction of the Clearing Membership requirements and/or the performance of the Clearing Member's obligations under these Rules.
- b. Where applicable, within three Days the Clearing Member must provide a written report to the Clearing House identifying the steps already taken or the steps to be taken to resolve any situation notified to the Clearing House pursuant to paragraph (a) of this Article, as well as the time necessary to do so.

#### **Article 15. Financial information**

Each Clearing Member must provide the following financial information to the Clearing House:

- a. an audited financial statement and an audited consolidated financial statement, including profit and loss accounts and balance sheet, together with the auditor's report, prepared in accordance with other laws and regulations and applicable accounting standards within 90 calendar days of the end of the financial year;
- b. where the Clearing Member is authorised by the Authority, quarterly unaudited financial statements including profit and loss accounts and balance sheet prepared in accordance with the relevant laws and regulations and applicable accounting standards after 30 Days of the end of each quarter;
- c. where the Clearing Member is a Local Bank, an unaudited quarterly financial statement including profit and loss accounts and balance sheet prepared in accordance with the relevant laws and regulations and accounting standards within 30 Days of the end of each quarter, save that if such quarterly financial statement has not been approved by SAMA by such time, promptly upon receipt of SAMA's approval;
- d. without prejudice to any rules or regulations governing the activities of the Clearing Member, and after obtaining approvals from the relevant regulatory authorities, any other financial or other relevant information relating to the Clearing Member that the Clearing House reasonably requests, within the time period specified by the Clearing House.

## **Article 16. Organisational Structure**

Each Clearing Member must provide the following information in relation to its organisational structure to the Clearing House:

- a. promptly following any material reorganisation of the structure of its corporate group, an updated organisational structure chart;
- b. annually, a list of its direct and indirect Controllers;
- c. promptly following any change of Control of the Clearing Member, relevant information in relation to such change of Control; and
- d. without prejudice to any rules or regulations governing the activities of the Clearing Member, and after obtaining approvals from the relevant regulatory authorities, any other information relating to the organisational structure or the senior directors or officers of the Clearing Member that the Clearing House reasonably requests, within the time period specified by the Clearing House.

## **Article 17. Record Keeping**

- a. Each Clearing Member must maintain, at all times, an up to date copy record of all books, statements, accounts, materials or other information provided by it to the Clearing House or otherwise relating to the clearing activities of the Clearing Member for at least a period of ten years. Without prejudice of this period, in the event of any litigation or claim (including any pending or threatened litigation) or any on-going investigations, the Clearing Member must retain such record until the closure of that litigation, claim or on-going investigation.
- b. Without prejudice to paragraph (a) of this Article, a Clearing Member shall keep:
  1. separate records and accounts that enable it to distinguish in its own accounts its assets and positions from the assets and positions held for the account of its Clients (if any) at the Clearing House. Such records and accounts shall enable the Clearing Member to distinguish each Client's assets and positions from other Clients with respect to each Individual Client Account and Omnibus Client Account maintained at the Clearing House; and
  2. all books, records or documents relating to Cleared Transactions to which they are a party for the term of such Cleared Transaction and for at least ten years following the discharge of all obligations arising under such Cleared Transaction.

## **Chapter IV: Suspension and Cancellation of Membership**

### **Article 18. Suspension of Clearing Membership**

- a. The Clearing House may, at its own discretion, suspend a Clearing Member's membership in circumstances that necessitate immediate suspension to protect the safety of the Clearing House. These circumstances are:

1. if the Clearing Member no longer satisfies any of the requirements for Clearing Membership contained in these Rules; or
  2. if the continuation of the Clearing Member's participation in clearing threatens the safety of the Clearing House or the interests of the other Clearing Members or Clients.
- b. Without prejudice to the provisions of the Capital Market Law and paragraph (c) of this Article, the Clearing House may also suspend a Clearing Member's membership in the following circumstances:
1. if the Clearing Member breaches any of its obligations under Clearing Documentation;
  2. if the Clearing Member fails to pay any applicable fees to the Clearing House; or
  3. in relation to a Direct Clearing Member, if the Exchange suspends the Exchange Membership in accordance with the Exchange Rules.
- c. Upon becoming aware of the circumstances set out in paragraph (b) of this Article, the Clearing House will write to the Clearing Member to describe the issue and ask the Clearing Member to establish a reasonable timetable, subject to the Clearing House's approval, for it to take remedial actions. The Clearing House may suspend the memberships of Clearing Members who fail to rectify the issue within the established timetable.
- d. The Clearing House will immediately notify the Authority and SAMA, where the relevant Clearing Member is a Local Bank, of any suspension of a Clearing Member's membership in accordance with paragraphs (a) and (b) of this Article. To the extent practicable, the Clearing House shall also consult with SAMA, where the relevant Clearing Member is a Local Bank, before implementing any suspension of a Clearing Member's membership.
- e. A Clearing Member may request that the Clearing House lift suspensions imposed under paragraphs (a) or (b) of this Article and provide evidence that supports lifting the suspensions. The Clearing House may, after reviewing such requests, lift or maintain the suspensions.
- f. The Clearing House will immediately notify the Authority and SAMA, where the relevant Clearing Member is a Local Bank, of the lifting of suspensions of Clearing Member memberships in accordance with paragraph (e) of this Article.
- g. The Clearing House will immediately suspend the memberships of a Clearing Member if instructed to do so by the Authority or SAMA, where the relevant Clearing Member is a Local Bank.
- h. The Clearing House will lift suspensions imposed according to the instructions of the Authority and/or SAMA as outlined in paragraph (g) of this Article based on instructions issued by the Authority and/or SAMA, where the relevant Clearing Member is a Local Bank. A Clearing Member may request that their suspension is

lifted and provide evidence that supports lifting their suspension through the Clearing House. The Authority and/or SAMA may, after reviewing such request, direct the Clearing House to lift or maintain the suspension.

- i. The Clearing House will notify Clearing Member in writing of any suspension imposed under this Article, and provide reasons.
- j. A Clearing Member must immediately notify its Clients in writing of the suspension of their Clearing Membership upon receiving notice of said suspension.
- k. The Clearing House may take any action or request that Clearing Members take any action or comply with any requirement to ensure that the suspensions of their Clearing Membership does not negatively affect the Clearing House, Clients or other Clearing Members.
- l. Without prejudice to paragraph (k) of this Article, Clearing Members must not provide any services associated with their Clearing Memberships or otherwise represent themselves as capable of providing such services during the suspension of their Clearing Memberships. A Clearing Member which has been suspended will continue to be bound by the Clearing Documentation, including being obliged to pay when due all amounts required by the Clearing House in accordance with the Clearing Documentation.

**Article 19. Cancellation of Clearing Membership**

- a. The Clearing House may, at its own discretion, cancel the membership of Clearing Members if the Clearing Member's membership remains suspended, pursuant to Article 18 of these Rules, for 180 Days without any resolution of the cause of the suspension.
- b. Without prejudice to the provisions of paragraph (a) of this Article, the Clearing House may also cancel the membership of a Clearing Member if an Event of Default occurs with respect to such Clearing Member. Any cancellation of membership as a result of an Event of Default occurring shall be effected in accordance with the procedures set out in Article 62.
- c. The Clearing House shall cancel the Clearing Membership of a Clearing Member if the Authority or SAMA, where the relevant Clearing Member is a Local Bank, instructs it to do so.
- d. The Clearing House shall immediately notify the Authority and SAMA, where the relevant Clearing Member is a Local Bank, of the cancellation of a Clearing Member's membership in accordance with paragraph (a) of this Article.
- e. The Clearing House will notify Clearing Member in writing of the cancellation of its Clearing Memberships, and explain the reasons when it issues its cancellation decisions.
- f. Upon receiving a notice of cancellation of its Clearing Membership, a Clearing Member must immediately notify their Clients in writing of the cancellations of their

Clearing Membership and the fact that they may no longer provide services that depend on their Clearing Membership.

**Article 20. Resignation of Clearing Membership**

- a. A non-defaulting Clearing Member may resign from participating in clearing the Relevant Transaction Type to which a particular Default Fund relates by giving no less than 90 Days written notice to the Clearing House of its intention to resign, which resignation will be effective on the later of:
  1. the resignation date specified in the written notice to the Clearing House; and
  2. the date on which all Relevant Transaction Types registered in the name of such Clearing Member have been closed out or transferred so that there remain no open Cleared Transactions in respect of the relevant Default Fund from which the Clearing Member is resigning.
- b. A notice of resignation may only be revoked with the prior written consent of the Clearing House.
- c. A Clearing Member shall prior to the Resignation Effective Date:
  1. subject to Article 59, continue to be bound by the Clearing Documentation including being obliged to pay when due all amounts required by the Clearing House in accordance with the Clearing Documentation until its Resignation Effective Date;
  2. promptly submit, after notice of its resignation, to the Clearing House a plan for the orderly unwind of its Cleared Transactions through a liquidation or other form of close-out; and
  3. not enter into any new Cleared Transactions, save where such new Cleared Transactions are risk-reducing as determined by the Clearing House.

**Article 21. Return of assets following Membership Termination Date**

Following a Membership Termination Date and upon the Clearing House being satisfied that a non-defaulting Clearing Member has satisfied all of its actual and contingent obligations under the Clearing Documentation, the Clearing House shall redeliver any Collateral and any Default Fund Contributions of the Clearing Member which relate to the clearing service such Clearing Member has ceased to participate in, to the extent such Collateral and Default Fund Contributions have not been applied in accordance with the Default Management Process. The Clearing House may deliver such Collateral and Default Fund Contribution (or any remaining portion thereof) in any form or currency as the Clearing House determines, provided that any non-cash Collateral that has been provided by the Clearing Member by way of security interest shall be returned in the same form.

**Article 22. Continuing obligations following Membership Termination Date**

Following a Membership Termination Date with respect to a Clearing Member, an entity that has ceased to be a Clearing Member shall remain liable in respect of all payments and deliveries due, and liabilities entered into and accrued prior to, the relevant Membership Termination Date.

## **PART 2 CLIENTS**

### **Chapter I: Effecting Clearing on behalf of Clients**

#### **Article 23. Choice offered to Clients**

- a. A Clearing Member may offer clearing services to its Clients. Where it does and the Clearing House also offers Client Accounts, a Clearing Member shall offer its Clients the choice between an Individual Client Account and an Omnibus Client Account and shall inform its Clients of the costs and level of protection associated with each option. The Client shall confirm its choice in writing, provided that a Client may at any time change its election.
- b. Where a Client changes its election between an Individual Client Account and an Omnibus Client Account, the Clearing Member shall be required to:
  1. ensure it reflects such change in the accounts and records it maintains; and
  2. notify the Clearing House of such change and ensure that the updated records of the Clearing House correctly reflect the change elected by such Clearing Member's Client.

### **Chapter II: Clients**

#### **Article 24. Mandatory terms applicable between Clearing Members and Clients**

- a. Prior to offer clearing services to its Clients, a Clearing Member shall:
  1. enter into a Client Clearing Agreement with each Client, which shall set out the terms which will govern the clearing relationship between the Clearing Member and such Client. Where the Client is a Non-Clearing Member, the Client Clearing Agreement must satisfy the conditions set out in paragraph (b) of this Article;
  2. require the Client to provide collateral to support the Back-to-Back Obligations which has at least the same value (after the application of any appropriate Haircut by the Clearing Member) as the Margin which the Clearing House has determined with respect to the corresponding Cleared Transactions entered into by the Clearing Member;
  3. the Client Clearing Agreement must provide that the collateral provided pursuant to paragraph (2) of this Article is only limited to cover the determined Margin; and
  4. ensure that any acts or omissions of the Client shall not prevent it from complying with these Rules.

5. ensure that Clearing Member has the right to close-out the related open position where the Client cannot provide sufficient collateral pursuant to paragraph (2) of this Article by the time specified in Clearing Documentation
- b. Where the Client is a Non-Clearing Member, the Client Clearing Agreement must also satisfy the following conditions:
1. require the General Clearing Member to clear all transactions concluded by the Non-Clearing Member on the Exchange which are below the Non-Clearing Member Trading Limit set for such Non-Clearing Member;
  2. where a Non-Clearing Member submits a transaction for clearing which is accepted by the Clearing House and is below the Non-Clearing Member Trading Limit set for such Non-Clearing Member, a Cleared Transaction shall be created between the Clearing House and the General Clearing Member, with a corresponding Back-to-Back Obligation automatically being deemed between the General Clearing Member and such Non-Clearing Member;
  3. provide that the Non-Clearing Member shall be obliged to settle all Cleared Transactions which relate to it on behalf of the General Clearing Member, and any settlement of a Cleared Transaction by the Non-Clearing Member shall be deemed to satisfy the obligations of the Non-Clearing Member under the corresponding Back-to-Back Obligation; and
  4. agree on the arrangements to be put in place to monitor the ability of a Non-Clearing Member to promptly satisfy its obligations to settle all Cleared Transactions which relate to it on behalf the General Clearing Member.

### **Chapter III: Non-Clearing Members**

#### **Article 25. Non-Clearing Members**

- a. An Exchange Member that is not a Clearing Member may only access clearing at the Clearing House by applying to become a Non-Clearing Member.
- b. To qualify as a Non-Clearing Member, an Exchange Member must meet the following conditions on an on-going basis:
  1. enter into, and remain a party to, a valid and continuing Non-Clearing Member Agreement with the Clearing House;
  2. have in place a Client Clearing Agreement with one General Clearing Member, which provides for such General Clearing Member to effect clearing on its behalf and satisfies the additional criteria set out in paragraph (b) of Article 24. The Clearing House, when it deems appropriate, may require the Non-Clearing Member to demonstrate that it has such an arrangement in place;
  3. maintain its Exchange Membership; and
  4. if such Non-Clearing Member offers services to its clients, it must:

- i. have in place an agreement with its clients setting out the terms which govern the clearing relationship between the Non-Clearing Member and its client, which shall include details as to how the exposure between a Non-Clearing Member and its client is created; and
  - ii. maintain books and records segregating the positions of its clients which are subject to clearing, along with the collateral provided by such clients.
- c. The Clearing House may permit a Non-Clearing Member to access certain services directly, as provided in the Non-Clearing Member Agreement and the Clearing Procedures.
- d. The Clearing House assumes that all actions of the Non-Clearing Member are authorised by its General Clearing Member.
- e. A Non-Clearing Member shall not, in such capacity, have a requirement to contribute Default Fund Contributions or Margin to the Clearing House, and all such requirements remain obligations on its General Clearing Member.

**PART 3**  
**CLEARING OBLIGATIONS**

**Chapter I: Clearing by Clearing House**

**Article 26. Submission of OTC Derivatives Transactions for Clearing**

- a. Where an OTC Derivatives Transaction is accepted by the Clearing House for clearing in accordance with Article 27 it will result in the novation of the original OTC Derivatives Transaction and the formation of two Cleared Transactions in its place. The parties to each Cleared Transaction shall be bound by its terms.
- b. Where the original OTC Derivatives Transaction is between two Clearing Members, separate Cleared Transactions will be created between each Clearing Member and the Clearing House as principal. Under each of these Cleared Transactions the rights and obligations of each Clearing Member will be the same as under the original OTC Derivatives Transaction except that the original counterparty will be replaced by the Clearing House.
- c. Where two Cleared Transactions are created in accordance with paragraph (b) of this Article, the rights and obligations of the parties in relation to the original OTC Derivatives Transaction will be automatically discharged, save for any amounts which are due and payable (or deliverable) by one party to the other prior to the registration of the transaction by the Clearing House pursuant to the terms of the original OTC Derivatives Transaction.
- d. Where the original OTC Derivatives Transaction was entered into by a Client and is replaced with a Cleared Transaction between the Clearing Member that provides clearing services to such Client and the Clearing House, the relevant Clearing Member shall automatically be deemed to enter into an equal and opposite Back-to-Back Obligation with the Client. Under each Back-to-Back Obligation the rights and obligations of each Clearing Member will be the same as the Clearing House under the Cleared Transaction (except that the Clearing House will be replaced by the Clearing Member).

**Article 27. Acceptance for Clearing of OTC Derivatives Transactions**

- a. Clearing Members may submit OTC Derivatives Transactions to the Clearing House for clearing in accordance with the Clearing Procedures.
- b. In order to qualify for clearing, an OTC Derivatives Transaction must satisfy the Eligibility Requirements applicable to such OTC Derivatives Transaction.
- c. The Clearing House may at any time reject any OTC Derivatives Transaction submitted for clearing if:
  1. an Event of Default has occurred, or in the Clearing House's reasonable opinion is likely to occur, in relation to the relevant Clearing Member;

2. the OTC Derivatives Transaction does not satisfy the applicable Eligibility Requirements;
  3. the Clearing Member does not have enough Collateral at the time when the transaction is received by the Clearing House to cover its Margin requirement, or does not fulfil the Collateral requirement within a specified timeframe defined by the Clearing House in the Clearing Procedures;
  4. if the OTC Derivatives Transaction were to be cleared, the Clearing Member would be in breach of any relevant Risk Limit; or
  5. the Clearing Member in whose name such OTC Derivatives Transaction would be registered is not in compliance with the requirements of these Rules.
- d. If the Clearing House determines that an OTC Derivatives Transaction is acceptable for clearing, such OTC Derivatives Transaction will be cleared upon registration of the Cleared Transactions in the Derivatives Register in accordance with Article 73 of these Rules.
  - e. The Clearing House may, in its discretion, apply any other conditions to the clearing of an OTC Derivatives Transaction as it sees fit.
  - f. In the event that an OTC Derivatives Transaction is not accepted for clearing, the Clearing House will notify the relevant Clearing Member(s) of its decision.
  - g. Any OTC Derivatives Transaction that fails to be accepted for clearing shall remain in full force and effect as between the two original parties to such OTC Derivatives Transaction pursuant to the terms therein.

#### **Article 28. Open Offers**

- a. The Clearing House makes an open offer to Clearing Members pursuant to these Rules in relation to all Exchange traded transactions. In the event that a Clearing Member or a Non-Clearing Member, as applicable, executes a transaction on the Exchange in accordance with the Exchange Rules, the Clearing House will automatically and immediately enter into and register two separate Cleared Transactions, one between the relevant Clearing Member (and where the transaction on the Exchange is executed by a Non-Clearing Member, the relevant Clearing Member will be that Non-Clearing Member's General Clearing Member) and the Clearing House and the other between the Clearing Member that is counterparty to the Exchange traded transaction and the Clearing House provided that the Open Offer Eligibility Criteria are satisfied in accordance with Article 29 of these Rules.
- b. If a Clearing Member enters into a Cleared Transaction in accordance with paragraph (a) of this Article at the request of its Client, it shall automatically be deemed to enter into an equal and opposite Back-to-Back Obligation with the Client. Under each Back-to-Back Obligation the rights and obligations of each Clearing Member will be the same as the Clearing House under the Cleared Transaction (except that the Clearing House will be replaced by the Clearing Member).

- c. In the event that the Open Offer Eligibility Criteria concerning an Exchange traded transaction are not satisfied the Clearing House shall refuse to clear the Exchange traded transaction and no Cleared Transactions shall arise between the Clearing House and Clearing Member and the provisions of Article 38 of these Rules shall apply.
- d. The Clearing House retains the power to, in its discretion, agree to clear an Exchange traded transaction and enter into Cleared Transactions regardless of whether the Open Offer Eligibility Criteria have been satisfied.
- e. The Cleared Transaction relating to an Exchange traded transaction will be on the terms received by the Clearing House pursuant to paragraph (a) of this Article, and any other terms specified by the Exchange Rules and these Rules. The parties to each Cleared Transaction shall be bound by its terms.
- f. The Clearing House shall not be liable to any Clearing Member or any other person on account of any loss, cost or damage incurred as a result of:
  - 1. the Clearing House not receiving accurate and complete details of an Exchange traded transaction; or
  - 2. a refusal by the Clearing House to register any Exchange traded transaction as a result of not satisfying the Open Offer Eligibility Criteria.

**Article 29. Open Offer Eligibility Criteria**

To satisfy the Open Offer Eligibility Criteria each of the following must be satisfied:

- a. the Clearing House shall have received all accurate and complete details of the Exchange traded transactions which have been matched necessary for the Clearing House to register the Cleared Transactions, in accordance with procedures agreed between the Clearing House and the Exchange. The Clearing House shall have no obligation to verify the accuracy or completeness of the details it receives concerning any Exchange traded transactions;
- b. the Clearing Member must meet the following:
  - 1. remains a party to a valid Membership Agreement;
  - 2. has executed any documents or agreements required of it by the Clearing House;
  - 3. is in compliance with these Rules, including but not limited to Part 2 of these Rules and the requirement in paragraph (b) of Article 48 that the Clearing Member has delivered sufficient Collateral to cover the Margin requirements for such Cleared Transaction;
  - 4. is a non-defaulting Clearing Member;
  - 5. has not had its membership suspended; and

6. where applicable, such Clearing Member would not be in breach of any Clearing Member Trading Limit as a result of such Exchange traded transaction becoming a Cleared Transaction;
- c. the Exchange traded transaction concerns a security which the Clearing House and the Exchange agreed to be cleared by the Clearing House pursuant to the Exchange Rules and these Rules, and is not subject to any suspension or equivalent;
- d. the open offer for the particular Exchange traded transaction have not been suspended or withdrawn;
- e. the security traded on the Exchange has not been specified as constituting Designated Securities and Transactions;
- f. where the Clearing Member is a General Clearing Member who is clearing on behalf of a Non-Clearing Member, the Exchange traded transaction must be below the Non-Clearing Member Limit set for such Non-Clearing Member; and
- g. no other requirements as set by the Clearing House in these Rules, the Clearing Procedures or Membership Agreement, from time to time, have been breached.

## **Chapter II: Accounts and Segregation**

### **Article 30. Types of Accounts**

Each Clearing Member shall establish Trading Accounts, Position Accounts and Collateral Accounts with the Clearing House in accordance with the Clearing Procedures.

### **Article 31. Trading Accounts**

The Clearing House shall provide Trading Accounts to Clearing Members and Non-Clearing Members to clear trades received from the Exchange.

### **Article 32. Position Accounts**

- a. The Clearing House may provide one or more House Position Accounts and one or more Client Position Accounts to enable it to readily identify the positions of a Clearing Member and a Clearing Member's Client(s) for each Relevant Transaction Type, where:
  1. a "**House Position Account**" is an account opened by the Clearing Member with the Clearing House in order to book Cleared Transactions in respect of the Clearing Member's own account which provides separate records and accounts to enable the Clearing House to distinguish the positions held in respect of that Clearing Member's own account from the positions held for the account of any other Clearing Member and any Client. Where a Clearing Member participates in more than one Default Fund, a separate House Position Account will be established for each Relevant Transaction Type. Clearing Members are not permitted to assign positions of their Clients to a House Position Account;

2. an “**Omnibus Client Position Account**” is an account opened by the Clearing Member with the Clearing House in order to book Cleared Transactions in respect of one or more of its Clients where those Clients share in the same Omnibus Client Position Account on an omnibus basis, provided that an Affiliated Client may only share in the same Omnibus Client Position Account with other Affiliated Clients and cannot share in the same Omnibus Client Position Account with a non-Affiliated Client. An Omnibus Client Position Account shall only include Cleared Transactions from the same Relevant Transaction Type; and
  3. an “**Individual Client Position Account**” is an account opened by the Clearing Member with the Clearing House in order to book Cleared Transactions in respect of a single Client. To the extent a Client participates in more than one Relevant Transaction Type that it intends to be individually segregated, a separate Individual Client Position Account shall be opened for each such Relevant Transaction Type.
- b. Margin for the Position Account may be calculated on a gross or net basis, as detailed in the relevant Clearing Procedures.

### **Article 33. Collateral Accounts**

The Clearing House may provide the following Collateral Accounts to Clearing Members to identify the type(s) and amount of Collateral provided by each Clearing Member to meet its Margin requirements in respect of each of its Position Accounts and to segregate Collateral as between the Clearing Member and its Client(s):

- a. a “**House Collateral Account**” is an account opened by the Clearing Member with the Clearing House in order to book assets received as Collateral which collateralise the Clearing Member’s corresponding House Position Account, which provides separate records and accounts to enable the Clearing House to distinguish the assets held in respect of that Clearing Member’s own account from the assets held for the account of any other Clearing Member or any Client. Taking into consideration the following:
  1. Where a Clearing Member participates in more than one Default Fund, it must have at least one House Collateral Account for each Relevant Transaction Type.
  2. Clearing Members are not permitted to assign assets of their Clients to a House Collateral Account;
- b. an “**Omnibus Client Collateral Account**” is an account opened by the Clearing Member with the Clearing House in order to book assets received as Collateral of one or more of its Clients where those Clients share the same corresponding Omnibus Client Position Account. Clients in an Omnibus Client Collateral Account are exposed to fellow Client risk. Taking into consideration the following:
  1. In the event of a shortfall attributable to such Omnibus Client Collateral Account which corresponds to an Omnibus Client Position Account, the Clearing House may apply assets attributable to that account to cover any such

shortfall, notwithstanding that the assets and the positions may belong to different Clients.

2. Notwithstanding provisions of subparagraph (b/1) of this article, the Clearing House shall have no recourse to the assets attributable to an Omnibus Client Position Account in the event of any shortfall in any other account of the Clearing Member (whether that shortfall arises in relation to a House Collateral Account, another Omnibus Client Collateral Account or an Individual Client Collateral Account); and
- c. an “**Individual Client Collateral Account**” is an account opened by the Clearing Member with the Clearing House in order to book assets received as Collateral in respect of a single Client which has a corresponding Individual Client Position Account. Taking into consideration the following:
1. To the extent the Clearing Member has opened more than one Individual Client Position Account for a single Client, an Individual Client Collateral Account shall be opened for each corresponding Individual Client Position Account.
  2. The Clearing House shall have no recourse to the assets attributable to an Individual Client Collateral Account in the event of any shortfall in any other account of the Clearing Member (whether that shortfall arises in relation to a House Collateral Account, an Omnibus Client Collateral Account or another Individual Client Collateral Account).

#### **Article 34. Default Fund Account**

The Clearing House shall establish, with respect to each Clearing Member and each Default Fund in respect of which such Clearing Member participates a Default Fund Account to maintain the assets contributed by such Clearing Member to satisfy their Default Fund Contribution.

#### **Article 35. Segregation of Accounts**

Where a Clearing Member establishes more than one Client Account with the Clearing House and an Event of Default occurs:

- a. the Default Clearing Member shall have no right of set-off between any Client Position Accounts and House Position Accounts; and
- b. the closing out of all open positions with respect to the House Position Account and each Client Position Account shall be conducted separately and independently, but many may be conducted simultaneously.

### **Chapter III: Settlement Finality**

#### **Article 36. Settlement Finality**

- a. Where a Clearing Member, a relevant participant or the Clearing House issues an instruction to transfer money or securities on the Clearing House’s system, such instruction shall be irrevocable upon the following:

1. it cannot be unilaterally revoked by the Clearing Member or the relevant participant; and
  2. has been recorded by the Clearing House in its books and/or systems.
- b. The Clearing House shall detail the time at which instructions issued by a Clearing Member or a relevant participant are capable of being revoked, which may differ across different securities.
  - c. The Clearing House shall complete final settlement of cash and/or securities pursuant to the terms of the instructions lodged in its systems and shall ensure its settlement systems are designed to reduce settlement risk by promoting the settlement, where possible, on an intraday or real time basis.
  - d. For the purposes of paragraphs (a) and (c) of this Article, instructions shall only be treated as having been validly given and/or lodged in the Clearing House's system if they satisfy the criteria of the Clearing House for instructions with respect to such asset type, as set out in the Clearing Procedures.

#### **Chapter IV: Position Transfer**

##### **Article 37. Position Transfer**

- a. The Clearing House may agree to transfer Cleared Transaction(s) or open positions from one Clearing Member (the "**Transferor Clearing Member**") to another Clearing Member (the "**Transferee Clearing Member**") upon:
  1. receiving a request from the Transferee Clearing Member requesting the transfer;
  2. receiving confirmation from the Transferor Clearing Member that it has consented to the transfer;
  3. satisfying itself that the transfer would not result in the Clearing Member Trading Limit or Risk Limit applicable to either the Transferor Clearing Member or Transferee Clearing Member being breached;
  4. in the event that the transfer would lead to a requirement for the Transferor Clearing Member or Transferee Clearing Member to deliver additional Collateral to the Clearing House, such Clearing Member has delivered sufficient Collateral to the Clearing House; and
  5. the Transferor Clearing Member and Transferee Clearing Member have satisfied any procedural requirements and additional conditions required to effect the transfer as set out in the Clearing Procedures.

- b. Without prejudice to paragraph (a) of this Article, where the Cleared Transaction(s) that are the subject of the proposed transfer are allocated to a Client Position Account:
  - 1. it is the responsibility of the Transferor Clearing Member and Transferee Clearing Member to obtain the consent of the Client to the proposed transfer; and
  - 2. the proposed transfer must provide that the Cleared Transaction(s) are moved to an Individual Client Account registered in the name of the Client or an Omnibus Client Account.

## **Chapter V: Pass Through Service**

### **Article 38. Designated Securities and Transactions**

- a. The Clearing House may, after obtaining the Authority's approval, determine that certain Securities and/or OTC derivatives are not appropriate to clear, according to the two following criteria:
  - 1. characteristics of the Securities and/or OTC derivatives themselves, including (without limitation) where Securities are unlisted; and/or
  - 2. market risk relating to the Securities and/or OTC derivatives, which may arise based on manipulative trading practices, illiquidity or other factors in the reasonable determination of the Clearing House.
- b. Where the Clearing House makes such a determination and has received the Authority's approval to designate such Securities and/or OTC derivatives as Designated Securities and Transactions, it shall publish a notice on its website specifying the effective date on which such Securities and/or OTC derivatives shall be Designated Securities and Transactions (the "**Designated Securities and Transactions Effective Date**").
- c. The Clearing House shall not register new Cleared Transactions in respect of the relevant Designated Securities and Transactions after the relevant Designated Securities and Transactions Effective Date. Any Cleared Transaction entered into prior to the relevant Designated Securities and Transactions Effective Date which reference Securities and/or OTC derivatives that have subsequently been designated as Designated Securities and Transactions shall continue in full force and effect in accordance with their terms.
- d. With respect to any Designated Securities and Transactions, the Clearing House may choose to offer a Pass Through Service. Where it does so, the Clearing House will publish details of its Pass Through Service, which may be amended from time to time, but which shall have the following features:
  - 1. the service may provide for the Clearing House to facilitate settlement of Designated Securities and Transactions;

2. the Clearing House shall not be permitted to become a counterparty to trades referencing Designated Securities and Transactions, whether by way of Open Offer, Novation or otherwise; and
3. Designated Securities and Transactions will be excluded from the determination of a Clearing Member's Margin obligations and Default Fund Contributions, save that the Clearing House may impose margin obligations for Designated Securities and Transactions which operate outside of the remit of these Rules and the Clearing Procedures and shall be detailed in any information published by the Clearing House relating to such Pass Through Service.

## **Chapter VI: Payments**

### **Article 39. Cleared Transaction payments**

Each Clearing Member and the Clearing House shall pay any amounts due under the relevant Cleared Transaction at the times specified in the terms of the Cleared Transaction and the Clearing Documentation.

### **Article 40. Collateral payments and deliveries**

Each Clearing Member and the Clearing House shall pay or deliver any amounts of Collateral due at the times specified in these Rules.

### **Article 41. Default Interest**

- a. If a Clearing Member defaults in the performance of any of its payment and/or delivery obligations under these Rules, it will, to the extent permitted by other laws and regulations, pay interest to the Clearing House on the overdue amount in the currency in which such debt is owed at the Default Interest Rate.
- b. The interest payable pursuant to this Article will accrue daily during the period from (and including) the original due date for payment to (but excluding) the date of actual payment.
- c. In the event that the Clearing House suffers any losses or incurs any costs as a result of the non-performance of a payment and/or delivery obligation by a Clearing Member, the Clearing House shall be entitled to be indemnified by such Clearing Member against any such losses or costs reasonably incurred by it pursuant to this Article.

### **Article 42. Interest Rates**

Any alteration in the basis of calculating interest rates under Article 41 shall become effective on the date designated and notified by the Clearing House to the Clearing Members.

### **Article 43. Income on Cash Collateral and Default Fund Contributions**

The Clearing House may, in accordance with the Clearing Procedures, pay an amount to Clearing Members representing any income (in whole or in part) received by the Clearing

House on cash Collateral and/or Default Fund Contributions transferred to the Clearing House in satisfaction of its Margin requirements as further described in Chapter I of Part 5 of these Rules and/or its Default Fund Contributions as further described in Chapter I of Part 6 of these Rules.

**Article 44. Income and redemption proceeds on non-cash Collateral and Default Fund Contributions**

Provided that the Clearing House is satisfied that no Event of Default has occurred or is likely to occur with respect to the relevant Clearing Member, the Clearing House will pay an amount to such Clearing Member representing any income received by the Clearing House on non-cash Collateral and Default Fund Contributions transferred to the Clearing House, net of any applicable taxes. After the occurrence of an Event of Default with respect to such Clearing Member, any such amounts shall not be paid to such Clearing Member and shall instead form part of such Clearing Member's Default Fund Contributions.

**Article 45. Fees, levies and charges**

- a. Each Clearing Member shall pay to the Clearing House, in respect of every Cleared Transaction to which that Clearing Member is party, such fees as may from time to time be prescribed by the Clearing House.
- b. The Clearing House may add to or change any fees payable by a Clearing Member at any time. The Clearing House shall set out any fees in the Clearing Procedures. The inclusion of any fees, levies or charges or any change in such amounts shall be subject to the approval of the Authority.
- c. All amounts payable by each Clearing Member pursuant to these Rules will, unless stated otherwise, be settled in accordance with the Clearing Procedures.

**Article 46. Payments calculation**

- a. On each Day, the Clearing House will determine the amounts payable by or to each Clearing Member in respect of its Position Account(s) and shall advise each Clearing Member of such amounts in accordance with the method of communication set out in these Rules.
- b. The Clearing House may net the sums which would be payable by the relevant Clearing Member in respect of a particular account to the Clearing House on such date against the sums which would be payable by the Clearing House to such Clearing Member in respect of the same account on such date (in each case, including, without limitation, any amounts which became payable on or prior to such date and which remain fully or partially unpaid as at such date).
- c. Where the Clearing House has an obligation to make a payment under these Rules to a Clearing Member in one currency, and the Clearing House considers in its reasonable opinion that it becomes, or has become, impossible to obtain such currency for the purpose of settlement of such payment, it may in lieu of making payment in that currency make payment to the Clearing Member concerned, in full

or in part, in such other currency or currencies and at such conversion rate(s) as the Clearing House may in its discretion determine to be fair and reasonable at such time.

**PART 4**  
**RISK MANAGEMENT AND DEFAULT PROCEDURES**

**Chapter I: Margin and Collateral**

**Article 47. Margin**

- a. With respect to each Clearing Member the Clearing House will determine, at a minimum of once a Day and in accordance with these Rules and the Clearing Procedures, the amount of Initial Margin and Variation Margin.
- b. The methodology for determining Initial Margin and Variation Margin may differ. Different methodologies may be applied in determining Margin depending on the nature of the Cleared Transactions. The Clearing House shall assess the coverage and reliability of the methodologies used to determine Margin by conducting daily Backtesting of the model. In the event that the Backtesting indicates that the model did not identify the appropriate amount of Margin necessary to achieve the intended coverage, the Clearing House shall recalibrate its methodologies and update the Clearing Procedures to reflect this.
- c. Margin for Position Accounts may be calculated on a gross or net basis, as detailed in the Clearing Procedures. The Clearing Procedures shall also provide:
  1. with respect to such Clearing Member's House Position Account(s), Margin may be determined for each House Position Account separately or across House Position Accounts which relate to the same Default Fund. Where the Clearing Procedures provide for Margin to be determined across more than one House Position Account, the Clearing House may allow for reduction in the Margin required to the extent there is significant correlation between the price risks of Cleared Transactions allocated to such House Position Accounts. The Clearing Procedures shall set out the parameters for establishing such correlation; and
  2. with respect to such Clearing Member's Client Position Accounts (if any), Margin may be determined separately for each such Client Position Account.
- d. Notwithstanding paragraph (a) of this Article, when determining Initial Margin the Clearing House shall ensure that such Initial Margin should meet at a minimum an established single-tailed confidence level of:
  1. 99% with respect to the estimated distribution of future exposure in relation to Exchange traded transactions on the basis of an appropriate close-out period which shall be no less than two days; and
  2. 99.5% with respect to the estimated distribution of future exposure in relation to OTC Derivatives Transactions on the basis of an appropriate close-out period which shall be no less than five days.

- e. The Clearing House shall, in addition to Initial Margin and Variation Margin, be entitled at any time to demand additional Margin in an amount it deems necessary from a Clearing Member in accordance with these Rules and the Clearing Procedures.
- f. The ability of the Clearing House to require Margin in addition to Initial Margin and Variation Margin shall be permitted:
  - 1. where a Clearing Member has exceeded its Risk Limit in accordance with Article 55; or
  - 2. where, in the opinion of the Clearing House, such additional Margin is necessary in the circumstances then prevailing as they affect, or may in the Clearing House's opinion be likely to affect, market conditions impacting the Collateral already provided by the Clearing Member or the Clearing Member's ability to perform its obligations under the Cleared Transactions.
- g. The Clearing House may, in its discretion and on a temporary basis, increase the frequency at which it determines Margin from that stated in these Rules and the Clearing Procedures.

**Article 48. Collateral**

- a. To secure its performance in respect of Cleared Transactions, each Clearing Member shall, on demand by the Clearing House, transfer Collateral in respect of Margin in such amounts, in accordance to such forms and at such times as specified in the Clearing Procedures.
- b. Without prejudice to paragraph (a) of this Article, as a condition to clearing (which will constitute an Eligibility Requirement with respect to each OTC Derivatives Transaction and an Open Offer Eligibility Criteria with respect to each Exchange traded transaction), each Clearing Member shall be required to deliver sufficient Collateral to cover the Margin requirements for such Cleared Transaction.
- c. If insufficient Collateral is standing to the credit of a Collateral Account, or if any monies or assets transferred by or on behalf of a Clearing Member to the Clearing House are determined by the Clearing House to be insufficient, the Clearing Member shall be required to deliver additional Collateral to ensure the Margin requirements are satisfied in accordance with these Rules and the Clearing Procedures.
- d. If the Clearing House has conducted an intra-day Margin calculation and has determined an increase in the Margin payable by a Clearing Member, the Clearing House shall be entitled to demand additional Collateral from that Clearing Member to ensure the Margin requirements are satisfied in accordance with these Rules and the Clearing Procedures.
- e. If the Clearing House takes any action in accordance with Part 6 of these Rules in relation to a Clearing Member, any sum (including, without limitation, any amount due to be paid by such Clearing Member in respect of the delivery of an asset) due by the Clearing Member in respect of Cleared Transactions recorded against a House

Position Account shall be deemed to be Collateral standing to the credit of such House Position Account which the Clearing House may use.

**Article 49. Acceptable Collateral**

- a. The Clearing House may, from time to time, in the Clearing Procedures:
  1. vary the types of eligible currencies and non-cash assets it accepts as Collateral for each type of Securities which it clears;
  2. change the valuation procedures or Haircuts applicable to Collateral;
  3. impose minimum limits (non-cash ratio) to be applied on the amount of Saudi Riyals equivalent cash to be provided as Collateral;
  4. with respect to non-cash assets, specify minimum tradeable lot sizes which can be delivered as eligible Collateral; and
  5. impose a maximum limit on eligible currencies and non-cash assets which it accepts as Collateral. With respect to financial instruments, such maximum limits shall be determined on the basis of:
    - i. individual issuer, taking into account the level of credit risk of their issued financial instruments or of the issuer based upon an internal assessment objectively carried out by Clearing House. In any event no more than 10% of the total Collateral received by a Clearing House may be guaranteed by a single issuer or by a legal person that is part of the same group as such issuer, save that such limitation shall not be applicable to financial instruments issued or guaranteed by the Kingdom;
    - ii. issuers of the same type in terms, without limitations, of economic sector, activity, or geographic region;
    - iii. the liquidity and the price volatility of the financial instruments;
    - iv. any Clearing Member; and
    - v. all Clearing Members.
- b. A Clearing Member shall not provide Collateral that will expose the Clearing House to Wrong-Way Risk. In this regard, even if assets are otherwise eligible Collateral, if such assets are guaranteed by such Clearing Member or by the group to which such the Clearing Member belongs to, such assets shall not be considered eligible assets capable of being delivered as Collateral with respect to such Clearing Member.
- c. Where the Clearing House removes any form of Collateral from the list of eligible Collateral that may be delivered as Collateral in accordance with paragraph (a) of this Article, it shall use reasonable endeavours to provide Clearing Members with advance notice prior to the removal of such asset from the list of eligible Collateral. Upon the removal of an asset from the list of eligible Collateral, the value of such

asset shall not be taken into consideration when determining whether sufficient Collateral has been provided by such Clearing Member to cover the Margin requirements.

- d. Notwithstanding paragraph (c) of this Article, and in accordance with paragraph (a) of this Article, the Clearing House may add, modify, remove or make changes in the acceptance of any form of Collateral from the list of eligible Collateral, or change the valuation procedures and Haircuts applicable to Collateral, at any time as it deems fit in accordance with the Clearing Procedures.
- e. Notwithstanding the other provisions of this Article, when determining applicable Haircuts to each type of asset eligible to be delivered as Collateral, the Clearing House shall consider the relevant criteria to produce a confidence level of at least 99% for Securities traded in a trading venue and 99.5% for Securities traded over the counter and 99% for cash:
  - 1. the type of asset and level of credit risk associated with such asset based upon an internal assessment objectively carried out by the Clearing House;
  - 2. the maturity date of the asset;
  - 3. the historical and hypothetical future price volatility of the asset in stressed market conditions. For this purpose, the Clearing House shall use 10 years, or higher, of historical data (including period of stress) if such data is available;
  - 4. the liquidity of the asset. For this purpose, the Clearing House shall, at a minimum, assume a holding period of at least two days;
  - 5. the foreign exchange risk, if any; and
  - 6. any potential Wrong-Way Risk associated with the Collateral.
- f. The Clearing House may, in its discretion, require a Clearing Member to transfer cash in eligible currencies or other assets to it in substitution for any Collateral already transferred to it.
- g. The Clearing House shall be entitled to make accommodation charges and require payment of its administrative costs, at rates determined by the Clearing House and provided for in the Clearing Procedures, in respect of any non-cash Collateral transferred to the Clearing House. Any change in the basis of such charges shall become effective in respect of all current and future non-cash Collateral transferred to the Clearing House by publication of the amended Clearing Procedures.
- h. The Clearing House may incur charges, costs or negative interest in holding or protecting any Collateral transferred to it. In such circumstances, the Clearing House shall be entitled to demand reimbursement of such amounts from relevant Clearing Members.
- i. Without prejudice to paragraph (a) of this Article, the Clearing House may in its discretion (subject to any procedures in the Clearing House regarding risk management) accept Collateral in an agreed amount in a form other than that stated in the Clearing Procedures as being eligible Collateral. Where the Clearing House

agrees, in its discretion, to accept such form of Collateral it shall inform the relevant Clearing Member of any special arrangements which the Clearing House requires be applied with respect to such Collateral, including its valuation methodology and applicable Haircut of such asset. The Clearing House may, in its discretion, include an accommodation charge at a special rate with respect to such form of Collateral.

**Article 50. Settlement of Collateral**

- a. In the absence of any provision in the Clearing Procedures to the contrary, all Collateral transferred to the Clearing House by or on behalf of a Clearing Member shall be effected by way of title transfer in accordance with the Clearing Procedures. In this regard:
  1. whenever the Clearing House is required to return cash Collateral to a Clearing Member or a Clearing Member is required to return cash Collateral to the Clearing House, that the amount of cash to be paid is equal to the amount expressed to be required to be returned denominated in the same currency;
  2. whenever the Clearing House is required to return non-cash Collateral to a Clearing Member, that requirement is to return (unless otherwise provided in these Rules or the Clearing Procedures) equivalent non-cash Collateral as that initially transferred to the Clearing House by that Clearing Member; and
  3. whenever these Rules and the Clearing Procedures contemplate an obligation of a Clearing Member being discharged by the Clearing House using, or applying, the Collateral delivered by or on behalf of the Clearing Member, such discharge shall occur by the acceleration of the Clearing House's obligation to return the Collateral to the Clearing Member (and where such Collateral is a non-cash asset and the Clearing Procedures so provide, the obligation of the Clearing House to return Collateral shall be deemed to be an obligation to return the cash value of such non-cash Collateral as determined by the Clearing House) and applying set-off of that delivery obligation against the Clearing Member's obligation which is to be so discharged.
- b. To the extent expressly provided for in the Clearing Procedures, Collateral may be accepted by way of security interest. Where a Clearing Member intends to provide Collateral by way of security interest, it shall provide all necessary documentation as may be specified by the Clearing House to create and perfect valid security interests over such Collateral.
- c. Whether the Collateral is provided by way of security interest in accordance with paragraph (b) of this Article, the Clearing House shall not be liable for any loss in the value of the collateral which shall be a risk borne by the relevant Clearing Member.
- d. Without prejudice to paragraph (a) of this Article, expressions in these Rules to "transfer", "deliver" and "provide" Collateral (and similar expressions) are used to describe the act of transferring Collateral to or from (as the case may be) the Clearing House which may occur by way of title transfer or by way of security interest in accordance with the terms of these Rules and the Clearing Procedures. Collateral "held" or "maintained" in a Collateral Account means the Collateral is recorded in

the books and records of the Clearing House as being attributable to a particular Clearing Member or Client.

- e. A Clearing Member shall not transfer, or arrange for the transfer of, eligible currencies and non-cash assets to the Clearing House as Collateral which are subject to any liens or other encumbrances unless such liens or encumbrances are given in favour of the Clearing House or are explicitly permitted in the Clearing Procedures.
- f. Unless provided for otherwise in these Rules and the Clearing Procedures, the Clearing House shall be entitled to assume any deposited Collateral by a Clearing Member, or on behalf of a Clearing Member, to the Clearing House to satisfy the Clearing Member's obligation to deliver Collateral are the sole legal and beneficial property of the Clearing Member and are transferred with the legal and beneficial owner's consent and free of such owner's interest.
- g. Each Clearing Member shall declare each time the Clearing Member transfers Collateral to the Clearing House that:
  - 1. such Clearing Member is the sole legal and beneficial owner of the Collateral transferred to the Clearing House;
  - 2. such Collateral is transferred with the legal and beneficial owner's unconditional consent and free of such owner's interest; and
  - 3. in delivering the Collateral to the Clearing House, the Clearing Member is not in breach of any its obligations toward any third party or under any other laws and regulations.

**Article 51. Excess Collateral**

- a. With respect to each Individual Client Position Account, where a Clearing Member has collected collateral from a Client (to support Back-to-Back Obligations) which has a value in excess of the Collateral which the Clearing House has called with respect to the Margin requirements of the corresponding Cleared Transactions, the Clearing Member shall deliver Collateral having a value at least equal to such excess to the Clearing House. The Clearing House shall credit such excess to the Client Collateral Account in respect of which such excess relates.
- b. With respect to any House Position Account, a Clearing Member may deliver Collateral in excess of the Margin requirements. Any such excess Collateral shall be credited to the House Collateral Account designated by the Clearing Member and shall form part of the balance of Collateral held in such House Collateral Account.
- c. A Clearing Member may request the Clearing House to redeliver in equivalent form and currency any Collateral it has delivered to the Clearing House which is in excess of the Margin it is required to have delivered to the Clearing House.
- d. Any such request for redelivery by a Clearing Member in accordance with paragraph (ac) of this Article must specify the exact form and currency of the relevant Collateral the Clearing Member is requesting be redelivered.

- e. Upon receipt of such request in accordance with paragraph (ac) of this Article, the Clearing House shall deliver to such Clearing Member, unless otherwise provided for in the Clearing Procedures, the form and amount of Collateral requested by the Clearing Member if the amount of Collateral requested by the Clearing Member is in excess of the amount of Collateral such Clearing Member is required to maintain with the Clearing House.
- f. Where such excess in accordance with paragraph (ae) of this Article relates to a Client Position Account, the Clearing Member shall be required (after the application of any close-out process pursuant to its Client Clearing Agreement) to return any such excess to the relevant Client.
- g. Upon the Clearing House being satisfied that all obligations of a Clearing Member under these Rules and the Clearing Procedures are irrevocably discharged in full and no contingent liability exists, the Clearing House shall redeliver in equivalent form and currency any Collateral that has been delivered to the Clearing House and remains standing to the credit of the relevant Collateral Account, save that where the Clearing Member has been a Defaulting Clearing Member and the Clearing House has applied Collateral previously delivered by such Defaulting Clearing Member to resolve an Event of Default, the Clearing House may deliver Collateral in other form or currency as the Clearing House determines.

**Article 52. Right of Reuse**

- a. The Clearing House may, pursuant to the Clearing Procedures, use Collateral and Default Fund Contributions provided to it by Clearing Members. Any such reuse shall be in adherence with the Clearing House's investment policy, which shall require any application of Collateral and/or Default Fund Contributions:
  - 1. to be invested in highly liquid financial instruments with minimal market and credit risk; and
  - 2. to be invested in instruments which are capable of being liquidated rapidly with minimal adverse price effect.
- b. Any loss arising from the Clearing House use of Collateral and Default Fund Contributions shall be borne by the Clearing House. The obligation of the Clearing House to redeliver Collateral and Default Fund Contributions shall not be affected by such use.

**Chapter II: Credit and Concentration Risk Management**

**Article 53. Clearing Member Trading Limit**

- a. The Clearing House may, from time to time, impose Clearing Member Trading Limits on Securities which a Clearing Member can clear which have been traded on the Exchange.

- b. The Clearing Member Trading Limits imposed by the Clearing House may be set on a gross and/or net basis, taking into consideration the following:
  - 1. shall apply with respect to all Securities cleared by a Clearing Member, whether such Securities have been traded on the Exchange by such Clearing Member or, in the case of a General Clearing Member, by its Non-Clearing Member(s); and
  - 2. shall be calculated in accordance with the mechanism provided for in the Clearing Procedures, which may be amended from time to time.

**Article 54. Non-Clearing Member Trading Limits**

- a. A General Clearing Member may, from time to time, impose Non-Clearing Member Trading Limits on Securities which its Non-Clearing Member may trade on the Exchange.
- b. Notwithstanding paragraph (a) of this Article, where the Clearing House has imposed a Clearing Member Trading Limit on the General Clearing Member, the General Clearing Member shall be required to set Non-Clearing Member Trading Limits for each of its Non-Clearing Members.
- c. The Non-Clearing Member Trading Limit imposed by the General Clearing Member must be, when calculated, aggregated with:
  - 1. all other Non-Clearing Member Trading Limits imposed by the General Clearing Member; and
  - 2. where the General Clearing Member is itself an Exchange Member, the limit it has apportioned to itself to trade on the Exchange, and shall not exceed the Clearing Member Trading Limit which the Clearing House has imposed on such General Clearing Member in accordance with Article 53.
- d. A General Clearing Member shall only be treated as having effectively set a Non-Clearing Member Trading Limit if it has validly notified the Clearing House of such Non-Clearing Member Trading Limit.

**Article 55. Risk Limits**

- a. The Clearing House may, from time to time, impose Risk Limits on each Clearing Member.
- b. Each Risk Limit is set by the Clearing House by reference to its determination of the creditworthiness of the Clearing Member, which will include a review of such Clearing Member's financials.
- c. A Clearing Member will be treated as having exceeded its Risk Limit if, at any point, the Margin requirement applicable to such Clearing Member is greater than its Risk Limit.

- d. If a Clearing Member has exceeded its Risk Limit, the Clearing House may impose additional Margin requirements on the Clearing Member.

**PART 5**  
**DEFAULT RULES**

**Chapter I: Default Fund**

**Article 56. Default Fund**

- a. The Clearing House shall establish one or more Default Funds. Where more than one Default Fund is established, the Clearing House shall specify in the Clearing Procedures the Relevant Transaction Type in relation to each such Default Fund.
- b. Each Default Fund is established to provide resources to support the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates and reduce systemic risk in the market. Each Default Fund shall be funded by Clearing Members who participate in clearing the Relevant Transaction Type to which such Default Fund relates in accordance with these Rules and the Clearing House shall only apply funds standing to the credit of a Default Fund strictly in accordance with these Rules.
- c. Each Clearing Member agrees and acknowledges that, for the purpose of securing its liabilities to the Clearing House, it shall provide the Clearing House with Upfront Default Fund Contributions and, where relevant, Supplemental Default Fund Contributions with respect to each Default Fund in which it participates. Each Default Fund will be pre-funded with Upfront Default Fund Contributions and replenished from time to time in accordance with these Rules.

**Article 57. Upfront Default Fund Contributions**

- a. Subject to paragraph (c) of this Article, the required Upfront Default Fund Contribution of each Clearing Member who participates in a Default Fund shall be calculated on each Default Fund Determination Date proportionally by reference to the average Margin requirement of the relevant Clearing Member for such Relevant Transaction Type during the period preceding such Default Fund Determination Date as determined in accordance with the Clearing Procedures.
- b. To the extent an Upfront Default Fund Contribution is calculated in accordance with paragraph (a) of this Article for a new Clearing Member who will participate in clearing such Relevant Transaction Type, the Clearing House shall determine their proportion by reference to their projected clearing activity in such Relevant Transaction Type. The addition of a new Clearing Member shall result in an increase in the size of the Default Fund for such Relevant Transaction Type and so shall not, in itself, result in the return of Default Fund Contributions to existing Clearing Members who participate in such Default Fund.
- c. If an Event of Default has occurred, any Default Fund Determination Date that is due to occur during a Capped Period for such Default Fund will be suspended. A Default Fund Determination Date shall occur immediately following the end of a Capped Period, at which point the Upfront Default Fund Contribution will be recalculated. In recalculating the Upfront Default Fund Contribution in such

circumstances, the Clearing House shall also take into account how much of the previous Upfront Default Fund Contribution of such non-defaulting Clearing Member has been applied in covering losses associated with such Relevant Transaction Type.

- d. Notwithstanding paragraph (a) and (b) of this Article, the Clearing House shall establish in the Clearing Procedures the criteria to calculate the Upfront Default Fund Contribution of each Clearing Member who clears, or intends to clear, the Relevant Transaction Type to which such Default Fund relates, which shall also specify the minimum Upfront Default Fund Contribution of each Clearing Member to a Default Fund in which it participates. The Clearing House may vary the criteria upon which the Upfront Default Fund Contribution is calculated from time to time and such changes shall become effective immediately upon publication of the updated Clearing Procedures, unless otherwise specified in the Clearing Procedures.
- e. Unless otherwise provided for in these Rules and the Clearing Procedures, Upfront Default Fund Contributions shall be satisfied by the delivery to the Clearing House on a title transfer basis of cash and non-cash assets which also qualify as eligible Collateral (subject to limits imposed by the Clearing House from time to time, which may differ from the limits imposed on Collateral delivered to satisfy Margin obligations, and as prescribed in the Clearing Procedures). Notwithstanding that the Upfront Default Fund Contribution is determined on each Default Fund Determination Date, the value of the eligible cash and non-cash assets transferred by each Clearing Member shall be valued on a daily basis in accordance with the valuation mechanics employed by the Clearing House with respect to Collateral in accordance with Article 49.

#### **Article 58. Supplemental Default Fund Contributions**

- a. Where the Default Fund Contributions of non-defaulting Clearing Members with respect to a Default Fund are depleted by operation of the Default Waterfall in accordance with Article 67 of these Rules, each non-defaulting Clearing Member which participates in such Default Fund shall be required to deliver to the Clearing House an additional amount equal to its Supplemental Default Fund Contribution to replenish the Default Fund within the relevant Capped Period.
- b. Unless otherwise provided in the Clearing Procedures, the Supplemental Default Fund Contribution of each non-defaulting Clearing Member which participates in the relevant Default Fund shall be an amount equal to the Upfront Default Fund Contribution that was determined as due from such non-defaulting Clearing Member with respect to such Default Fund at the beginning of the relevant Capped Period.
- c. Each Clearing Member agrees and acknowledges that, for the purpose of supporting the obligations of the Clearing House with respect to the Relevant Transaction Type to which such Default Fund relates, it has an unconditional obligation to pay its Supplemental Default Fund Contribution in cash if required to do so by the Clearing House.
- d. Any excess Supplemental Default Fund Contribution of a non-defaulting Clearing Member that is not used to resolve the relevant Event of Default with respect to the

Relevant Transaction Type and which occurs within the same Capped Period in which such Supplemental Default Fund Contribution was called shall be returned to the non-defaulting Clearing Member.

- e. Where a non-defaulting Clearing Member cancels its membership of the Clearing House during the relevant Capped Period, it shall remain liable to provide its Supplemental Default Fund Contribution for the Default Fund which it has participated in during that Capped Period for such Default Fund in accordance with Article 59.

#### **Article 59. Default Fund Contributions**

- a. Each Clearing Member shall ensure that all Default Fund Contributions are funded from its balance sheet. A Clearing Member shall not be permitted to use any assets attributable to its Clients (including any assets attributable to an Individual Client Account or an Omnibus Client Account) to satisfy its obligation to deliver to the Clearing House its Default Fund Contributions.
- b. Where a Clearing Member has its Clearing Membership cancelled in accordance with Article 19 or notifies the Clearing House that it intends to resign from participating in clearing the Relevant Transaction Type to which such Default Fund relates in accordance with Article 20, the relevant Clearing Member's liability shall be limited to any loss arising in connection with any Capped Period that has commenced on or prior to the Membership Termination Date (even if the expiry of the relevant Capped Period occurs after the Membership Termination Date). In such circumstances, the non-defaulting Clearing Member may be required to maintain some or all of its Default Fund Contributions until after the completion of the Default Management Process related to the relevant Event of Default, notwithstanding the relevant Membership Termination Date might occur prior to such date.
- c. A non-defaulting Clearing Member which has issued a notice to resign from participating in clearing the Relevant Transaction Type to which a particular Default Fund relates in accordance with Article 20 shall have a liability with respect to Default Fund Contributions equal to twice the Default Fund Contributions calculated as at the Default Fund Determination Date immediately prior to the date on which such Clearing Member gave notice to resign to the Clearing House.

### **Chapter II: Default Management Process**

#### **Article 60. Default Management Committee**

- a. The “**Default Management Process**” means the processes and provisions set out in this Chapter and in the procedures specified by the Clearing House.
- b. The Default Management Committee shall be composed of the following members:
  - 1. the Chief Executive Officer of the Clearing House (who shall also act as Chair of the Default Management Committee);

2. the Chief Risk Officer of the Clearing House;
  3. the Chief of Operations of the Clearing House; and
  4. other members appointed by the Clearing House, as the procedures specified by the Clearing House.
- c. The “**Default Management Committee**” is the body within the Clearing House responsible for:
1. assessing whether an Event of Default relating to a Clearing Member is occurring or has occurred; and
  2. taking the necessary steps to manage the process set out in these Rules in relation to such Event of Default.
- d. Other representatives of the Clearing House, representatives of Clearing Members and industry experts may also be invited to meetings of the Default Management Committee in a non-voting capacity from time to time on an as-needed basis. The Authority and SAMA must also be permitted to observe meetings of the Default Management Committee. The Default Management Committee Members shall decide whether any additional invitees will be required to attend any meeting of the Default Management Committee.
- e. The Default Management Committee shall conduct an annual review of the procedures set out in Part 6 of these Rules.

#### **Article 61. Clearing Member Event of Default**

An “**Event of Default**” means any event or circumstance which leads the Clearing House to determine that a Clearing Member is or appears to be unable, to meet its obligations in respect of the Clearing Documentation and/or Cleared Transactions to which it is a party, including (without limitation):

- a. failure to perform the terms and conditions of the Clearing Documentation;
- b. breach the relevant laws and regulations and the terms of licence and authorisation from the Authority and SAMA, where the relevant Clearing Member is a Local Bank, or any other government authority by which the Clearing Member is licensed or authorised;
- c. any failure to deliver Securities or cash, which would result in the breach by the Clearing Member of its obligations under the Clearing Documentation;
- d. failure to provide Margin, Upfront Default Fund Contribution and/or Supplemental Default Fund Contribution within the relevant timeframes specified by the Clearing House;
- e. failure to pay any fees or other obligations under the Clearing Documentation;

- f. the commencement of insolvency proceedings relating to a Clearing Member;
- g. the Clearing Member is convicted of any criminal offence relating to fraud, dishonesty or any act of bad faith under other laws and regulations;
- h. the occurrence of any event of default to the Clearing Member in accordance with the laws of any jurisdiction it conducts its Clearing activities; or
- i. the occurrence of any of the events of this Article, in respect of an Affiliate of the Clearing Member which in the opinion of the Clearing House has a material adverse effect on the ability of the Clearing Member to meet its obligations under the Clearing Documentation and/or one or more Cleared Transactions to which it is a party.

**Article 62. Actions of the Clearing House on Event of Default**

- a. Where the Clearing House becomes aware that an Event of Default is occurring, or is likely to occur, in relation to a Clearing Member (the “**Defaulting Clearing Member**”), the following action shall be taken:
  - 1. The operations and risk management of the Clearing House shall assess the actual or anticipated Event of Default and may escalate the actual or anticipated Event of Default to the Default Management Committee.
  - 2. The Clearing House shall also promptly notify the Authority and SAMA, where the relevant Clearing Member is a Local Bank when the actual or anticipated Event of Default has been escalated to the Default Management Committee, and shall specify any measures being taken or proposed to be taken.
  - 3. The Default Management Committee shall assess whether an Event of Default is actually occurring in relation to the Defaulting Clearing Member. When making this assessment, the Default Management Committee shall take into account the following considerations:
    - i. the materiality of the Event of Default;
    - ii. any evidence of repeated or regular Events of Default relating to the Defaulting Clearing Member;
    - iii. any complaints that have been made against the Defaulting Clearing Member;
    - iv. the degree to which the Defaulting Clearing Member has co-operated with the Clearing House in connection with the identification and rectification of the Event of Default; and
    - v. the interests of the members of any market that the Clearing Member may belong to.

4. If the Default Management Committee decides in its discretion that an Event of Default is occurring or has occurred in relation to the Defaulting Clearing Member, the Default Management Committee shall immediately notify:
  - i. the Authority;
  - ii. SAMA, where the Defaulting Clearing Member is a Local Bank;
  - iii. the Defaulting Clearing Member;
  - iv. the Exchange; and
  - v. the Depository Centre.
  
5. In addition, the Default Management Committee may exercise the following:
  - i. require the Defaulting Clearing Member to provide clarifications and respond to any questioning in relation to the Event of Default;
  - ii. where relevant, require the Defaulting Clearing Member to fulfil the breach of obligation which has resulted in the Event of Default within a timeframe specified by the Default Management Committee;
  - iii. suspend the Defaulting Clearing Member from the Clearing House on a temporary basis and prevent the Defaulting Clearing Member from performing any activities that are subject to the Clearing Documentation;
  - iv. notify the Exchange and the Depository Centre and provide all relevant details of the Event of Default and the Defaulting Clearing Member; and
  - v. issue a warning to the Defaulting Clearing Member in connection with the Event of Default.
  
- b. Where the Event of Default is resolved within a timeframe specified by the Default Management Committee in its discretion, the Defaulting Clearing Member shall be allowed to continue performing its activities that are subject to the Clearing Documentation and the Clearing House shall notify the Exchange and the Depository Centre of such resolution.
  
- c. Where the Event of Default is not resolved to the satisfaction of the Default Management Committee in its discretion, the Clearing House shall, subject to the provisions of Article 64, Article 65 and Article 66 and in accordance with the Default Management Process:
  1. notify all non-defaulting Clearing Members and all Clients of such Defaulting Clearing Member. Notice shall be deemed to have been issued by the Clearing House to such persons if such notice is published on its website;

2. in relation to the Defaulting Clearing Member's own positions and assets:
  - i. close out open positions by taking reverse positions in the market, where possible; and/or
  - ii. sell the assets and liquidate Collateral of the Defaulting Clearing Member, either through an exchange or over-the-counter (as applicable);
3. in relation to the positions and assets belonging to Clients of the Defaulting Clearing Member, close out open positions and liquidate Collateral of Clients of the Defaulting Clearing Member, where possible;
4. cancel the membership of such Defaulting Clearing Member;
5. take any other prompt action necessary to contain losses and liquidity pressures, before, at and after the stage at which the Event of Default has occurred; and
6. follow the procedures described in Article 63 and Article 67.

**Article 63. Calculations of Net Payment following a Clearing Member Event of Default**

- a. The Clearing House shall calculate a net payment either due from or to the Defaulting Clearing Member, once the Clearing House has concluded in its reasonable opinion of the following:
  1. all Affected Transactions which are capable of being ported within the timeframe determined by the Clearing House have been ported pursuant to Article 64; and
  2. the Auction process has been concluded pursuant to Article 66.
- b. For the purposes of paragraph (a) of this Article, a separate net payment shall be calculated with respect to:
  1. all House Position Accounts of the Defaulting Clearing Member which relate to the same Default Fund; and
  2. each Client Position Account held by the Defaulting Clearing Member (excluding any Affected Transactions that have been successfully ported pursuant to Article 64, which shall not be subject to the net payment calculation).
- c. The separate net payment shall be determined in accordance with the provisions of the Clearing Procedures, but shall include:
  1. a value ascribed to the Affected Transactions:
    - i. where such Affected Transactions have been subject to a successful Auction, the value given to each such Affected Transaction by the

Clearing House shall be determined using the value ascribed in the Auction process, as detailed in the Clearing Procedures; and

- ii. where such Affected Transactions have not been subject to a successful Auction, the value given to such Affected Transactions shall be determined by the Clearing House in accordance with the mechanism provided for in the Clearing Procedures; and
2. consideration of all amounts that became payable to or from the Defaulting Clearing Member on or prior to the start of the Default Management Process and which remain unpaid.
- d. The Clearing House shall certify each net payment due and whether such net payment is due from the Defaulting Clearing Member (a “Loss”) or to the Defaulting Clearing Member (a “Gain”). To the extent no net payment is due, the Clearing House will certify this fact. Certification by the Clearing House will be conclusive and final.

#### **Article 64. Porting**

- a. In respect of each Client Position Account established by a Defaulting Clearing Member with the Clearing House, the Clearing House shall calculate the balance of the Client Collateral Account in respect of such Client Position Account.
- b. For each Client who has appointed a Replacement Clearing Member, provided that the Clearing House determines that there is no Event of Default with respect to such Replacement Clearing Member, the Clearing House shall provide to the Replacement Clearing Member details relating to the Affected Transactions registered in the name of such Defaulting Clearing Member in respect of such Client, and the balance of the Client Collateral Account relating to each such Client.
- c. In respect of all Affected Transactions registered in the name of a Defaulting Clearing Member in respect of a Client Position Account relating to a Client, the Clearing House shall terminate and close-out such Affected Transactions at their market value (as determined by the Clearing House in its discretion) and enter into new Cleared Transactions on the same terms to such Affected Transactions with the appointed Replacement Clearing Member, provided that the Clearing House is reasonably satisfied that:
  1. the Replacement Clearing Member has been appointed prior to or within a reasonable time following the occurrence of the relevant Event of Default;
  2. it has received completed Porting Instructions together with the consent of the appointed Replacement Clearing Member to accept all such Affected Transactions within a reasonable time following the date the Clearing House gave notice under subparagraph (1) of paragraph (c) of Article 62; and
  3. no Event of Default has occurred with respect to the Replacement Clearing Member at or before the time of the purported porting.

- d. The Clearing House shall transfer the Client Collateral Account Balance relating to such Client to the appointed Replacement Clearing Member within a reasonable time from the entry into new Cleared Transactions between the Clearing House and the Replacement Clearing Member in accordance with paragraph (c) of this Article.
- e. With respect to the Auction process in Article 66, an Affected Transaction will not form part of any Auction Book until the Clearing House has determined that the Affected Transaction in question will not be ported pursuant to this Article and the Clearing Procedures.
- f. A Defaulting Clearing Member agrees to waive any of its rights or entitlements to object to the porting of any Affected Transaction. In respect of each Affected Transaction being ported pursuant to these Rules, the Defaulting Clearing Member and the relevant Replacement Clearing Member shall co-operate with the Clearing House and any relevant Client(s) to facilitate the porting of each such Affected Transaction.
- g. Each of the Defaulting Clearing Member and the Replacement Clearing Member shall jointly and severally indemnify the Clearing House and keep the Clearing House indemnified from and against any loss, cost (including cost of enforcement), interests, liability (including any tax or other fiscal liability), claim or damage which the Clearing House incurred or suffered in connection with the porting of any Affected Transaction and Collateral pursuant to any Porting Instructions.

#### **Article 65. Hedging**

- a. The Default Management Committee, on behalf of the Clearing House, may conduct Hedging procedures as part of the Default Management Process in respect of a Defaulting Clearing Member provided, however, that it shall have no fiduciary duty to any other party with respect to (i) any such Hedging entered into or (ii) any decision not to enter into Hedging. Hedging may be transacted with Clearing Members or with other parties at the discretion of the Default Management Committee.
- b. All Hedging shall be undertaken by the Clearing House for its own account. To the extent that any Hedging is entered into between the Clearing House and a non-defaulting Clearing Member, such transaction shall be treated as a Cleared Transaction.

#### **Article 66. Auction**

- a. The Clearing House, in liaising with the Default Management Committee, shall attempt to construct one or more Auction Portfolio(s) with respect to, in aggregate, all Affected Transactions of a Defaulting Clearing Member (excluding any Affected Transaction that has been successfully ported pursuant to Article 64. The Auction process shall be conducted in accordance with these Rules and the Clearing Procedures.
- b. The purpose of each Auction Portfolio is to identify non-defaulting Clearing Members who will enter into replacement Cleared Transactions with the Clearing House with the same economic terms as the Affected Transactions entered into by

the Defaulting Clearing Member (excluding any Affected Transaction that has been successfully ported pursuant to Article 64.

- c. The Auction process is intended to assist the Clearing House in determining the termination value of the Affected Transactions of the Defaulting Clearing Member immediately prior to their termination (excluding any Affected Transaction that has been successfully ported pursuant to Article 64) and any such termination values so determined will be used in the calculations performed under Article 63.
- d. The Clearing House will exercise its power in constructing each Auction Portfolio with the overriding intention to maximize the likelihood of achieving a successful sale to a non-defaulting Clearing Member at a commercially reasonable price. Each Auction Portfolio shall be subject to its own Auction.
- e. Each Auction Portfolio will consist of Affected Transactions with a similar risk profile.
- f. Each non-defaulting Clearing Member may participate in the Auction for an Auction Portfolio.
- g. Each non-defaulting Clearing Member participating in an Auction shall comply with the process and procedures set out in the Clearing Procedures and is subject to the requirements set out therein.

#### **Article 67. Application of Available Resources Upon an Event of Default**

Where an Event of Default has been declared and is not resolved, the order of allocation of resources in the Default Waterfall shall be as follows:

- a. First, the Collateral.
  - 1. The collateral provided by the Defaulting Clearing Member to cover Margin, standing to the credit of a House Collateral Account, including any unpaid Variation Margin due to be delivered to the Defaulting Clearing Member, excess Collateral paid by the Defaulting Clearing Member that was required by the Clearing House in accordance with Article 51 for its own positions recorded in the corresponding House Position Accounts shall be used to cover its Loss. In addition, any Gain accruing with respect to any other House Position Account shall be used to cover its Loss.
  - 2. In an Event of Default concerning a Clearing Member who has Client Accounts:
    - a) where the relevant account is an Omnibus Client Account, all Collateral attributed to the account shall be used to cover the Loss, notwithstanding that the Collateral and Loss may belong to different Clients held in the same Omnibus Client Account.
    - b) Where the relevant account is an Individual Client Account, any Collateral may only be used to cover the Loss of that individual Client.

3. To the extent that Margin (including any unpaid Variation Margin due to be delivered to the Defaulting Clearing Member, market gains and excess Collateral paid by the Defaulting Clearing Member) provided in respect of a House Collateral Account and/or any Gains accruing with respect to any House Position Accounts after application against any Loss incurred in connection with the corresponding House Position Account, remains in credit the excess shall be applied in the following order:
  - a) to cover any Loss accrued to the Omnibus Client Position Accounts and Individual Client Position Accounts of such Defaulting Clearing Member for the same Relevant Transaction Type to the extent such Loss has not been covered by the Collateral standing to the credit of the corresponding Omnibus Client Collateral Accounts and Individual Client Collateral Accounts. To the extent the excess Collateral in the House Collateral Account and/or Gains on any House Position Account are insufficient to cover all such Loss, such Collateral and/or Gain shall be allocated on a *pro rata* basis against the Loss accruing under the Client Accounts for such Relevant Transaction Type; and
  - b) to the extent there remains excess Collateral in the House Collateral Account and/or Gains on any House Position Account after the application in accordance with subparagraph (3/a) of paragraph (a) of this Article, to cover any Loss accrued to other Client Accounts of the Defaulting Clearing Member across any other Relevant Transaction Type. To the extent the excess Collateral in the House Collateral Account is insufficient to cover all such Loss, such Collateral shall be allocated on a *pro rata* basis against the Loss accruing under all such Client Accounts;
- b. Second, the Default Fund Contributions of the Defaulting Clearing Member including any excess Collateral posted by the Defaulting Clearing Member with respect to a Default Fund shall be applied in the following order:
  1. to cover any Loss accrued to the Position Accounts established by the Defaulting Clearing Member with respect to the same Relevant Transaction Type as such Default Fund Contribution. To the extent such Default Fund Contribution is insufficient to cover all such Loss, such Collateral shall be allocated on a *pro rata* basis against the Loss accruing under each Position Account established by the Defaulting Clearing Member for such Relevant Transaction Type; and
  2. to the extent there remains Default Fund Contributions which have not been fully absorbed after the application of Loss for Position Accounts for the same Relevant Transaction Type in accordance with subparagraph (1) of paragraph (b) of this Article, to cover any Loss accrued to other Position Accounts established by the Defaulting Clearing Member across any other Relevant Transaction Type. To the extent the excess of such Default Fund Contribution

is insufficient to cover all such Loss, such Default Fund Contribution shall be allocated on a *pro rata* basis against the Loss accruing under all such Position Accounts;

c. Third, (the “**Clearing House’s Skin-in-the-Game**”)

(the “**Clearing House’s Skin-in-the-Game**”) is used in the event of a default as the following:

1. is equal to not less than Clearing House’s Skin-in-the-Game, approved by the Clearing House Board of Directors;
2. if depleted, shall replenish following the completion of the 20 Day period from and including the date of an Event of Default, which shall be extended for 20 Days for each additional Event of Default that occurs within such a period (“**Capped Period**”). A Capped Period shall not exceed 3 months in duration;
3. the total sum replenished throughout a financial year shall not exceed a sum equal to three times the original amount of capital pool allocated pursuant to subparagraph (1) of paragraph (c) of this Article at the beginning of the financial year, save that the Clearing House may replenish the capital pool in excess of this amount in its discretion;
4. cannot be used to meet the minimum Clearing House Capital requirement; and
5. may be divided and allocated across various Events of Default based on the value of the Event of Default..

To the extent there is more than one Default Fund, the Clearing House shall allocate the Clearing House’s Skin-in-the-Game in proportion to the size of each such Default Fund (each being the “**Relevant Skin-in-the-Game**”). Each Relevant Skin-in-the-Game shall be used to cover Loss accruing with respect to Position Accounts associated with the same Relevant Transaction Type as the Default Fund to which such Relevant Skin-in-the-Game has been allocated. To the extent the Relevant Skin-in-the-Game should be replenished in accordance with subparagraph (2) of paragraph (c) of this Article, the total sum of such replenishment determined in accordance with the sub-paragraph (3) of paragraph (c) of this Article shall be determined on a *pro rata* basis to the to the size of such Default Fund;

d. Fourth, the Upfront Default Fund Contributions of non-defaulting Clearing Members.

The Upfront Default Fund Contributions of non-defaulting Clearing Members will be used as the following:

1. not including any excess Collateral posted by the non-defaulting Clearing Members.

2. In the event that the Upfront Default Fund Contributions of the non-defaulting Clearing Members are not fully depleted, the Loss of each non-defaulting Clearing Member shall be allocated in proportion to the value of their Upfront Default Fund Contributions.
  3. To the extent there is more than one Default Fund, the Upfront Default Fund Contributions of non-defaulting Members shall be used to cover Loss associated with the same Relevant Transaction Type as such Default Fund. Upfront Default Fund Contributions of non-defaulting Members of other Default Funds shall be used solely to cover Loss associated with the Relevant Transaction Type of such Default Fund;
- e. Fifth, the Supplemental Default Fund Contributions of the non-defaulting Clearing Members.

The Supplemental Default Fund Contributions of non-defaulting Clearing Members will be used as the following:

1. In the event that the Supplemental Default Fund Contributions of the non-defaulting Clearing Members are not fully depleted, the Loss of each non-defaulting Clearing Members shall be allocated in proportion to the value of their Supplemental Default Fund Contributions.
2. To the extent there is more than one Default Fund, the Supplemental Default Fund Contributions of non-defaulting Members to such Default Fund which shall be used to cover Loss associated with the same Relevant Transaction Type as such Default Fund. Supplemental Default Fund Contributions of non-defaulting Members of other Default Funds shall be used solely to cover Loss associated with the Relevant Transaction Type of such Default Fund.

#### **Article 68. Additional actions upon an Event of Default**

Where an Event of Default has been declared and is not resolved and the application of assets set out in Article 67 are found to be not sufficient, the Clearing House may take any of the following actions:

- a. settle positions with a pre-determined price;
- b. apply Haircuts to Variation Margin;
- c. terminate existing settlement obligations and pay terminations fees to impacted Clearing Members;
- d. inject additional contributions from the capital pool of the Clearing House; and/or
- e. accept voluntary Clearing Member contributions to the Default Waterfall.

## **Article 69. Testing and Review of Default Management Process**

The Default Management Committee shall complete testing and reviews of the Default Management Process no less than once per year, and no later than six weeks following a material change to these Rules, in order to (amongst other things):

- a. ensure that the Default Management Process remains practical and effective; and
- b. consider appropriate amendments or revisions to the Default Management Process in light of any relevant events or changes.

## **Chapter III: Clearing House Default**

### **Article 70. Clearing House Failure to Pay**

- a. For the purpose of these Rules, a “**Clearing House Failure to Pay**” shall occur at any time the Clearing House is notified that it has failed to make, when due, any payment or delivery obligation to a non-defaulting Clearing Member which would result in a breach by the Clearing House of its obligations under the Clearing Documentation if such failure to pay or deliver is not remedied within the Failure to Pay Grace Period, provided that no Clearing House Failure to Pay shall occur if:
  1. such failure to pay arises as a result of technical or administrative reasons beyond the control of the Clearing House; or
  2. the Clearing House exercises its rights pursuant to paragraph (b) of this Article to designate an Early Termination Date during the Failure to Pay Grace Period.
- b. During the Failure to Pay Grace Period the Clearing House may designate an Early Termination Date in respect of all Cleared Transactions in place with the notifying Clearing Member. In such circumstances:
  1. as at such Early Termination Date, the Clearing House shall:
    - i. terminate all Cleared Transactions with such Clearing Member; and
    - ii. register new Cleared Transactions with any non-defaulting Clearing Members who agree to enter into replacement transactions on substantially similar terms as the Cleared Transactions being terminated;
  2. promptly following the Early Termination Date and upon the Clearing House being satisfied that such non-defaulting Clearing Member has satisfied all of its actual and contingent obligations under the Clearing Documentation, the Clearing House shall redeliver any Collateral and any Default Fund Contributions of the Clearing Member, to the extent such Collateral and Default Fund Contributions have not been applied in terminating the Cleared Transactions pursuant to subparagraph (1/a) of paragraph (b) of this Article or in accordance with the Default Management Process. The Clearing House may deliver such Collateral and Default Fund Contribution (or any remaining portion

thereof) in any form or currency as the Clearing House determines, provided that any non-cash Collateral that has been provided by the Clearing Member by way of security interest and has not been enforced against shall be returned in the same form.

- c. If a Clearing House Failure to Pay has occurred and is continuing, the relevant non-defaulting Clearing Member affected by the Clearing House Failure to Pay may terminate and liquidate all of its outstanding Cleared Transactions by delivering a notice to the Clearing House designating a Day which is not earlier than two Days after such notice is effective as an Early Termination Date. The provisions of Article 72 shall apply to each such Clearing Member.

#### **Article 71. Clearing House Insolvency**

- a. A “Clearing House Insolvency” shall occur if the Clearing House voluntarily commences a procedure seeking or proposing liquidation, administration, receivership, judicial management, scheme of arrangement or other similar relief with respect to itself or its debts under any bankruptcy, insolvency, regulatory, supervisor or similar law or if any of the foregoing procedures are commenced in relation to the Clearing House by any other person which either:
  - 1. results in the liquidation or winding up of the Clearing House; or
  - 2. such procedure is not dismissed, discharged, stayed or restrained in each case within 21 Days of the institution or presentation thereafter.
- b. If a Clearing House Insolvency has occurred and is continuing, any non-defaulting Clearing Member may designate a Day not earlier than two Days after such notice is effective as an Early Termination Date of all Cleared Transactions then registered in its name. In such circumstances:
  - 1. all Cleared Transactions of all Clearing Members will be terminated on the Early Termination Date and the provisions of Article 72 shall apply to each Clearing Member; and
  - 2. the Clearing House will notify all Clearing Members of the occurrence of a Clearing House Insolvency and the Early Termination Date applicable to all outstanding Cleared Transactions of all Clearing Members.

#### **Article 72. Calculation of Net Payment following a Clearing House Failure to Pay or Clearing House Insolvency**

- a. Upon the designation of an Early Termination Date with respect to all Cleared Transactions then registered in the name of the relevant Clearing Member (which, in the case of a Clearing House Failure to Pay shall be the Clearing Member who has designated such event and in the case of a Clearing House Insolvency shall be each Clearing Member):

1. all obligations of the Clearing House and such Clearing Member in respect of all Cleared Transactions between them shall cease to exist and be replaced with the obligation to pay a net payment either due from or to the Clearing Member; and
  2. the value given to such terminated Cleared Transactions shall be determined by the Clearing House in accordance with the mechanism provided for in the Clearing Procedures, provided that the Clearing House shall also take into consideration all amounts that became payable to or from the relevant Clearing Member on or prior to the Early Termination Date and which remain unpaid.
- b. The net payment due from or to the relevant Clearing Member with respect to each Position Account shall be determined by the Clearing House and shall be an amount equal to:
1. the sum of the value given to each terminated Cleared Transaction recorded in such Position Account. Where such value represents an amount payable to the Clearing House, it shall be expressed as a positive number and where it represents an amount payable to the Clearing Member it shall be expressed as a negative number; plus
  2. the sum of the value of all equivalent Collateral to be returned. The value of equivalent Collateral to be returned by the Clearing Member to the Clearing House shall be expressed as a positive number and the value of equivalent Collateral to be returned by the Clearing House to the Clearing Member shall be expressed as a negative number. For this purpose, any non-cash Collateral that has been provided by the Clearing Member by way of security interest and which these Rules or the Clearing Procedures provide for the return of the same Collateral shall be excluded from this calculation; plus
  3. the value of all other amounts (other than the obligation to return Collateral or Default Fund Contributions) due to the Clearing House (expressed as a positive number) or due to the Clearing Member (expressed as a negative number), in either case pursuant to the Clearing Documentation, and where such amount is positive (that is owing to the Clearing House) it shall constitute the "Clearing Member Balance" and where negative (that is owing to the relevant Clearing Member) it shall constitute the "Clearing House Balance". For the purposes of this determination, the Clearing House may convert any amounts denominated in any currency into the Base Currency at such rate prevailing at the time of the calculation as it should reasonably select.
- c. For the purposes of paragraphs (a) and (b) of this Article, a separate net payment shall be calculated with respect to:
1. all House Position Accounts of the relevant Clearing Member which relate to the same Default Fund; and
  2. each Client Position Account held by the relevant Clearing Member.

- d. The Clearing House shall, as soon as reasonably practicable, notify the relevant Clearing Member of any Clearing Member Balance. The relevant Clearing Member shall pay to the Clearing House the Clearing Member Balance within 3 Days of notification.
- e. If the Clearing Member fails to pay the Clearing Member Balance within the period specified in paragraph (d) of this Article, the Clearing House shall be entitled to:
  - 1. treat the Clearing Member as defaulting and enforce any non-cash Collateral which such Clearing Member has provided by way of security interest in respect of the Position Account to which such Clearing Member Balance relates. The proceeds of any such redemption shall be applied against the Clearing Member Balance;
  - 2. to the extent the application of redemption proceeds is insufficient to offset the Clearing Member Balance, the Clearing House shall be entitled to apply any Default Fund Contributions provided by such Clearing Member to offset the Clearing Member Balance (regardless of whether such Clearing Member Balance relates to a House Position Account or Client Position Account); and
  - 3. to the extent there remains a Clearing Member Balance payable, the Clearing House shall take all reasonable steps to recover any unpaid Clearing Member Balance.
- f. Following the receipt of all Clearing Member Balances (or if the Clearing House determines that it will not receive all of the Clearing Member Balances promptly, following the receipt of some Clearing Member Balances), the Clearing House shall calculate the “**Clearing House Applicable Percentage**” as an amount equal to the lesser of:
  - 1. 100%; and
  - 2. the quotient of:
    - i. the aggregate value of the Upfront Default Fund Contributions which the Clearing House has received and not applied in accordance with the Clearing Rules, all Clearing Member Balances received by the Clearing House and any remaining capital of the Clearing House; and
    - ii. the aggregate value of the Upfront Default Fund Contributions which the Clearing House has received and not applied in accordance with the Clearing Rules and all Clearing House Balances, expressed as a percentage.
- g. With respect to each Clearing Member which has a Clearing House Balance, the Clearing House shall pay each such Clearing Member in proportion to the value of their respective claims on the Clearing House using the Clearing House Applicable Percentage.

- h. With respect to each relevant Clearing Member which is owed the return of Default Fund Contributions, the Clearing House shall pay each such Clearing Member an amount equal to the product of the value of the Default Fund Contributions to be returned and the Clearing House Applicable Percentage.
- i. With respect to each relevant Clearing Member which is owed the return of non-cash Collateral that such Clearing Member previously provided the Clearing House by way of security interest, the Clearing House shall return such Collateral in the same form (to the extent such non-cash Collateral has not been previously enforced against) or the unused redemption proceeds thereof (to the extent such non-cash Collateral has been enforced against).
- j. If the Clearing House has determined the Clearing House Applicable Percentage following the receipt of some, rather than all, Clearing Member Balances, and subsequently receives further Clearing Member Balance(s) the Clearing House shall adjust the Clearing House Applicable Percentage accordingly and shall pay each relevant Clearing Member:
  - 1. with respect to the Clearing Member Balance due pursuant to paragraph (g) of this Article, the difference between the value of such Clearing Member's respective claim on the Clearing House using the previously determined Clearing House Applicable Percentage and the value of such Clearing Member's respective claim on the Clearing House and the newly adjusted Clearing House Applicable Percentage; and
  - 2. with respect to the Default Fund Contributions due pursuant to paragraph (h) of this Article, the difference between the value of such Clearing Member's respective claim on the Clearing House using the previously determined Clearing House Applicable Percentage the value of such Clearing Member's respective claim on the Clearing House and the newly adjusted Clearing House Applicable Percentage.
- k. If the Clearing House determines that no further amounts in respect of any Clearing Member Balance are likely to be recovered and notifies the same to the relevant Clearing Member(s), then the unpaid amount of any Clearing House Balance or return of Default Fund Contributions shall be extinguished and the relevant Clearing Member(s) shall have no further recourse to the Clearing House.

**PART 6**  
**GENERAL PROVISIONS**

**Article 73. Derivatives Register**

The Clearing House shall maintain a register of all Derivatives transactions cleared by the Clearing House (whether Exchange traded or OTC derivatives). The register shall record:

- a. the identity of the Clearing Member party to such Cleared Transaction, and whether such Cleared Transaction has been allocated to such Clearing Member's House Position Account, Individual Client Position Account or Omnibus Client Position Account; and
- b. the underlying to which such Cleared Transaction relates.

**Article 74. Information to be disclosed by Clearing House**

- a. The Clearing House shall ensure that the following information is publically disclosed free of charge:
  1. information regarding its governance arrangements;
  2. these Rules and the Clearing Procedures;
  3. its fees at the level of individual services it offers as well as its policies on any available discounts; and
  4. basic data on transaction volumes and values.
  5. its rights and obligations, as well as those of each Clearing Member;
  6. key aspects of its default rules and procedures;
- b. The Clearing House shall ensure that the relevant information it discloses, in accordance with paragraph (a) of this Article, is readily available through generally accessible media, such as on its website, in Arabic and English.

**Article 75. General Powers**

- a. To ensure compliance with the provisions of these Rules, the Clearing House may:
  1. require persons subject to these Rules to undertake or refrain from undertaking certain activities within the scope of these Rules;
  2. request information and reports relevant to the provisions of these Rules; and
  3. request that Clearing Members appoint independent organizations, in accordance with qualification criteria determined by the Clearing House, to validate their compliance with the provisions of these Rules.

- b. The Clearing House may establish necessary technical procedures, as it deems appropriate, to implement the provisions of these Rules.

**Article 76. Publication and Entry into Force**

These Rules shall become effective upon their publication.