

ASX CLEAR OPERATING RULES

SECTION 2 DEFINITIONS AND INTERPRETATION

2.10 DEFINITIONS AND INTERPRETATION

2.10.1 Definitions used in the Rules

“Approved Market Operator” – ASX Clear has approved each of the following Australian market licensees as an Approved Market Operator:

1. ASX Limited (ACN 008 624 691);
2. Chi-X Australia Pty Limited (ACN 129 584 667);
3. National Stock Exchange of Australia Limited (ACN 000 902 063).

“Matched Book” means that if, following a determination that ASX Clear has an Unmatched Book in relation to an event of default, ASX Clear determines that such a risk has been appropriately managed by measures such as (but not limited to) ASX Clear:

- (a) entering into new Cash CCP Transactions and Derivatives CCP Contracts or terminating existing Cash CCP Transactions and Derivatives CCP Contracts;
- (b) transferring obligations; and
- (c) entering into other transactions.

“Net Termination Value” has the meaning given to that term under Schedule 7 of these Rules.

“Unmatched Book” means that a Participant has committed an event of default referred to in Rule 15.1 and ASX Clear has determined that it is exposed to the risk that its payment and delivery obligations to Participants under Cash CCP Transactions and Derivatives CCP Contracts will not be matched by the payments and deliveries made by Participants to it under Cash CCP Transactions and Derivatives CCP Contracts.

12.1 REGISTRATION AND NOTIFICATION OF MARKET TRANSACTIONS

12.1.1 Market Transactions to be registered

Subject to Rule 12.2.5, ASX Clear will register a Market Transaction (other than an OTC Options Market Transaction) if, and only if:

- (a) there is a current agreement between ASX Clear, an Approved Settlement Facility and the Approved Market Operator through which the Market Transaction was effected, for the provision of a Trade Acceptance Service;
- (b) the Approved Market Operator has submitted the Market Transaction to ASX Clear in accordance with the Terms of Trade Acceptance Service; and
- (c) the Market Transaction is in a category of Market Transactions which ASX Clear will accept for registration, as specified by ASX Clear in the Procedures.

Introduced 11/03/04 Origin OCH 5.4.1, 5.4.2, SCH 7.4 Amended 27/06/11, 28/05/12, 01/10/15

12.1.2 Market Transactions notified but not registered

ASX Clear will notify an Approved Settlement Facility of a Cash Market Transaction which is not registrable under Rule 12.1.1 if:

- (a) there is a current agreement between ASX Clear, the Approved Settlement Facility and the Approved Market Operator through which the Cash Market Transaction was effected, under which ASX Clear agrees to notify that category of Cash Market Transaction to the Approved Settlement Facility for settlement by that facility;
- (b) the Approved Market Operator notifies ASX Clear of that Cash Market Transaction in accordance with the terms of that agreement; and
- (c) the Cash Market Transaction is in a category of Cash Market Transactions which ASX Clear will notify to an Approved Settlement Facility, as specified by ASX Clear in the Procedures.

Introduced 11/03/04 Origin SCH 7.4.3 Amended 27/06/11

12.1.3 Participants liable to settle Cash Market Transactions notified but not registered

Participants must settle Cash Market Transactions notified to an Approved Settlement Facility under Rule 12.1.2 in accordance with the operating rules of that Approved Settlement Facility.

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15.2 POWERS OF ASX CLEAR ON DEFAULT

15.2.1 ASX Clear may take action

If ASX Clear considers that an event of default under Rule 15.1 has occurred, or if Rule 15.3 applies, ASX Clear may take any or all of the following actions in respect of the Participant, in the name of (if appropriate) and at the expense of the Participant, in any order but subject to Rule 15.4, immediately or at any other time ASX Clear determines, and without the need for any prior notice to or consent of the Participant or any other person:

[.....]

- (g) terminate Cash CCP Transactions and Derivatives CCP Contracts registered in an Account of the Participant at a price determined by ASX Clear subject to these Rules;

[...]

- (s) exercise its rights under the Recovery Rules.

15.2.2 Legal requirement for notice

Despite Rule 15.2.1, ASX Clear may be required by law to give notice before taking action under Rule 15.2.1 or may have obligations imposed by law about what it must do when taking that action. However, to the extent that these requirements and obligations can be excluded or limited by agreement, they are so excluded and limited and ASX Clear does not have to notify the Participant, any Client or the legal owner of any Collateral before taking any of the actions referred to in Rule 15.2.1.

Introduced 11/03/04 Origin OCH 12.2.2

15.2.3 Partial termination of non-defaulting Participant's transactions

ASX Clear may exercise the rights and powers set out in Schedule 7 (Partial Termination) if the following conditions are satisfied:

- (a) ASX Clear considers that an event of default under Rule 15.1 has occurred; and
- (b) ASX Clear has an Unmatched Book and it reasonably expects that the exercise of those rights and powers may restore a Matched Book and ASX Clear reasonably believes that it is unlikely to be able to otherwise restore a Matched Book in a reasonable time as determined by ASX Clear.

By determining to exercise the rights and powers set out in Schedule 7 (Partial Termination), ASX Clear expects that the Net Termination Values which may be payable by it will be paid in full.

Note: This Rule 15.2.3 is not intended to limit the powers and rights of ASX Clear under the Recovery Rules.

SCHEDULE 7 – PARTIAL TERMINATION

This Schedule sets out the Partial Termination powers of ASX Clear. Rule 15.2.3 sets out when these powers may be exercised by ASX Clear.

In this Schedule 7, “Contracts” means Cash CCP Transactions and Derivatives CCP Contracts.

1 Termination of Contracts

ASX Clear must determine the Contracts of the non-defaulting Participants which are to be terminated in accordance with this Schedule. However, in making this determination, ASX Clear must use best endeavours to:

(a) select the minimum number of Contracts which it believes are necessary in order for it to restore a Matched Book; and

(b) select the Contracts to be terminated so that:

(i) the Contracts to be terminated are shared between the Participants who held those types of Contracts on a pro-rata basis (to the extent practicable). The pro-rata determination is to be made by reference to the net position in the relevant Contracts held by a Participant across its Accounts (including its Client Account); and

(ii) each Participant is given an opportunity to agree with ASX Clear which of its Contracts are to be terminated (and if ASX Clear and the Participant so agree, the Contracts which the Participant and ASX Clear so agree are to be terminated) but if:

(A) the Participant does not submit to ASX Clear a valid allocation of its Contracts which are to be terminated within the timeframe set by ASX Clear; or

(B) the termination of Contracts set out in the allocation submitted by the Participant would increase ASX Clear’s uncollateralised exposure to the Participant to an extent that is unacceptable to ASX Clear in its absolute discretion,

then ASX Clear is to select that Participant’s Contracts on a pro-rata basis across the Participant’s Accounts (including its Client Account).

ASX Clear must notify the Participants holding the Contracts which have been selected for termination and the time at which the termination is to take effect. The obligations of ASX Clear and the Participant under the Contract terminate at the time notified.

2 Termination Value

Following the termination of the obligations under a Contract in accordance with Paragraph 1 of this Schedule, ASX Clear must calculate a value for those

terminated obligations. This value for the terminated obligations under a Contracts is referred to as the **Termination Value**.

ASX Clear is to calculate the Termination Value in good faith, in a commercially reasonable manner, in compliance with all applicable laws and in a manner which is consistent with ASX Clear's applicable pricing protocols. However, if ASX Clear cannot determine the Termination Value in accordance with its applicable pricing protocols, or believes that a Termination Value determined in accordance with the applicable pricing protocols would not produce a commercially reasonable result then ASX Clear is to calculate the Termination Value by taking into account:

- (a) the amount of trading losses or costs incurred and trading gains realised by ASX Clear in connection with any transactions which it enters into in order to terminate, close-out, offset, hedge, reduce the risk of, transfer or liquidate part of its exposures in connection with the terminated Contracts; and
- (b) ASX Clear's valuations of the terminated Contracts and any transactions referred to in (a) taking into account their terms, including any payments or deliveries which would have been required under them after that date, and any option rights in relation to them. For this purpose, ASX Clear may consider any relevant information, including:
 - (i) relevant quotations (firm or indicative) and relevant market data supplied by one or more third parties (including relevant prices and other market data provided by another exchange, market or clearing house); or
 - (ii) such quotations and market data from internal sources (including pricing or other valuation models) which are, at that time, used by ASX Clear or Participants in the regular course of their business for the valuation of similar transactions; and
- (c) with respect to each terminated Contract, all amounts which became due and which remain unpaid by the Participant to ASX Clear on or before the date on which the Contracts were terminated.

The Termination Value so determined may be positive (if it is owing by the Participant to ASX Clear), negative (if it is owing to the Participant by ASX Clear) or zero. The Termination Value of obligations which cannot be valued by ASX Clear, and for obligations under Cash CCP Transactions, is to be zero.

The determination by ASX Clear of the Termination Value is final and binding on ASX Clear, Participants and each other person affected by the determination.

ASX Clear and each Participant acknowledge that each Termination Value is a genuine pre-estimate of the loss or damages which the Participant or ASX Clear will suffer from the termination of a Contract under this Schedule.

3 Net Termination Value

Following the calculation of the Termination Values with respect to the Contracts of a Participant which have been terminated in accordance with this Schedule, the

Termination Values with respect to Contracts held in the same Account will be netted, producing a single net amount payable between ASX Clear and the Participant with respect to that Account. This amount is referred to as the **Net Termination Value**.

4 Payment of Net Termination Value

If the Net Termination Value is positive then that amount is payable by the Participant to ASX Clear on the day on which it is notified to the Participant by ASX Clear. If the Net Termination Value is negative then the absolute value of that amount is payable by ASX Clear to the Participant on the day on which it is notified to the Participant by ASX Clear.

ASX Clear will account for this amount payable by debiting or crediting the Net Termination Value to the Participant's relevant Account.

*Note: If the Termination Value for obligations under Cash CCP Transactions is to be zero (as set out in Part 2 of this Schedule), **this effectively means that the** transaction will be cash settled at the original transaction price.*

ASX CLEAR OPERATING RULES PROCEDURES

PROCEDURE 12.1.1 MARKET TRANSACTIONS TO BE REGISTERED

Cash Market Transactions:

- (a) Subject to paragraph (b), ASX Clear will accept for registration a Cash Market Transaction that is a reportable transaction under the operating rules of an Approved Market Operator that:
- (ai) results from the process of matching bids and offers in a trading platform of the Approved Market Operator; or
 - (bii) is recorded by a trading platform of the Approved Market Operator.
- (b) ASX Clear will not accept for registration a Cash Market Transaction in a class of Financial Product to which the acceptable considerations for not clearing certain securities apply. The acceptable considerations are set out in the Open Access Principles for a licensed listing market seeking access to ASX Clear published by the Commission and Reserve Bank of Australia.

If the delivering PID and the receiving PID relate to the same legal entity, ASX Clear will, unless instructed otherwise in accordance with the Procedures, register the Cash Market Transaction and notify the relevant Participant that the Cash Market Transaction has been registered for information only.

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PROCEDURE 12.1.2 MARKET TRANSACTIONS NOTIFIED BUT NOT REGISTERED

No categories of Cash Market Transactions are presently specified.

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ASX SETTLEMENT OPERATING RULES PROCEDURES

SECTION 2 – DEFINITIONS AND INTERPRETATION

“**Approved Market Operator**” – ASX Settlement has approved the market licensees listed below as Approved Market Operators in relation to the following services and for the purpose of the rules and procedures pertaining to those services:

Clearing and Settlement Arrangements (including Trade Acceptance Service)	Settlement Facilitation Service			
	Transfer Facilitation Service	DvP Facilitation Service ¹	Corporate Actions Service ²	ASX Primary Market Facility ³
1. ASX Limited 2. Chi-X Australia Pty Limited 3. <u>National Stock Exchange of Australia Limited</u>		1. National Stock Exchange of Australia Limited 2. Sydney Stock Exchange Limited	1. National Stock Exchange of Australia Limited 2. Sydney Stock Exchange Limited	1. National Stock Exchange of Australia Limited 2. Sydney Stock Exchange Limited

¹ A market licensee that receives the DvP Facilitation Service also receives the Transfer Facilitation Service as the ability to transfer financial products is an integrated component of the DvP settlement function.

² The ASX Corporate Actions Service includes the processing of corporate actions by ASX Settlement for Issuers of Approved Financial Products quoted on or approved for quotation on the market of the market licensee where the holdings of those products are eligible for registration on the CHESS system.

³ The ASX Primary Market Facility includes the provision by ASX Settlement of settlement services to Participants and Issuers of Approved Financial Products quoted on or approved for quotation by the market licensee in connection with the processing of Allocation Components of Offers of such financial products and the processing of Allocation Interests in DvP Settlement under Section 15 of the ASX Settlement Operating Rules.

Introduced 23/09/05 Amended 20/07/07, 27/06/11, 15/08/11, 28/12/11, 20/01/14, 17/04/14, 20/01/16, 29/06/18

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PROCEDURE 4.9.1 SETTLEMENT PARTICIPANT TO LODGE SETTLEMENT BOND

For the purpose of Rule 4.9.1, the following Approved Market Operators are specified:

- (a) ASX Limited (ACN 008 624 691);
- (b) Chi-X Australia Pty Limited (ACN 129 584 667);
- (c) National Stock Exchange of Australia Limited (ACN 000 902 063).

Introduced 27/06/11 Amended 21/03/14