



# ASX RECOVERY RULEBOOK

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# ASX Recovery Rulebook

## 1 SCOPE AND INTERPRETATION

### 1.1 Recovery Rules, ASX Clear and ASX Clear (Futures)

These ASX Recovery Rules are the recovery rules of ASX Clear Limited and ASX Clear (Futures) Pty Limited. These rules (including the Schedules) are referred to as the **Recovery Rules**, ASX Clear Pty Limited is referred to as **ASX Clear** and ASX Clear (Futures) Pty Limited is referred to as **ASX Clear (Futures)**.

### 1.2 ASX Clear Rules and ASX Clear (Futures) Rules

These Recovery Rules are separately incorporated into, and form part of:

- (a) the Operating Rules of ASX Clear, which are referred to as the **ASX Clear Rules**, and form part of the contract constituted between ASX Clear and Participants, and between each Participant, under the ASX Clear Rules; and
- (b) the Operating Rules of ASX Clear (Futures), which are referred to as the **ASX Clear (Futures) Rules**, and form part of the contract constituted between ASX Clear (Futures) and Clearing Participants, and between each Clearing Participant, under the ASX Clear (Futures) Rules.

*[Explanatory Note: although these Recovery Rules are incorporated into both Operating Rules, as a result of Rule 1.3, they apply separately under each set of Operating Rules and only to the relevant ASX entity to which those Operating Rules relate.]*

### 1.3 Application as part of ASX Clear Rules and ASX Clear (Futures) Rules

When using these Recovery Rules as part of:

- (a) the ASX Clear Rules then:
  - (i) these Recovery Rules apply to ASX Clear and not to ASX Clear (Futures); and
  - (ii) these Recovery Rules apply to Participants in ASX Clear and not to Clearing Participants in ASX Clear (Futures) (except to the extent that those Clearing Participants are also Participants in ASX Clear); and
  - (iii) capitalised terms which are not defined in these Recovery Rules have the meaning given to them in the ASX Clear Rules; and
  - (iv) references in these Recovery Rules to a term in the first column of the following table are taken to be references to the corresponding term in the second column which, if it is in quotation marks, is defined in the ASX Clear Rules; and
- (b) the ASX Clear (Futures) Rules then:
  - (i) these Recovery Rules apply to ASX Clear (Futures) and not to ASX Clear; and
  - (ii) these Recovery Rules apply to Clearing Participants in ASX Clear (Futures) and not to Participants in ASX Clear (except to the extent that those Participants are also Clearing Participants in ASX Clear (Futures)); and

- (iii) capitalised terms which are not defined in these Recovery Rules have the meaning given to them in the ASX Clear (Futures) Rules; and
- (iv) references in these Recovery Rules to a term in the first column of the following table are taken to be references to the corresponding term in the third column which, if it is in quotation marks, is defined in the ASX Clear (Futures) Rules.

| <i>Term in Recovery Rules</i> | <i>Meaning when used as part of ASX Clear Rules</i>     | <i>Meaning when used as part of ASX Clear (Futures) Rules</i> |
|-------------------------------|---------------------------------------------------------|---------------------------------------------------------------|
| <b>ASX CCP Rules</b>          | ASX Clear Rules                                         | ASX Clear (Futures) Rules                                     |
| <b>ASX CCP</b>                | ASX Clear                                               | ASX Clear (Futures)                                           |
| <b>Participant Commitment</b> | "Contribution"                                          | "Commitment"                                                  |
| <b>Contracts</b>              | "Derivatives CCP Contracts" and "Cash CCP Transactions" | "Open Contracts"                                              |
| <b>Market Contract</b>        | "Market Transactions"                                   | "Market Contract"                                             |
| <b>Market Participant</b>     | "Market Participant"                                    | "Trading Participant"                                         |
| <b>Participant</b>            | "Participant"                                           | "Clearing Participant"                                        |

*[Explanatory Note: this Rule describes how these Recovery Rules are used separately in the ASX Clear Rules and the ASX Clear (Futures) Rules.]*

#### 1.4 Inconsistency

Unless the contrary is expressed, these Recovery Rules prevail over the ASX CCP Rules to the extent of any inconsistency. However, ASX CCP Rules not inconsistent with these Recovery Rules are not affected by them.

#### 1.5 Recovery Handbook

The **Recovery Handbook** sets out terms, procedures, timings and specifications relating to provisions of these Recovery Rules and other related matters. Each Participant undertakes to comply with the provisions of the Recovery Handbook and a failure to do so is a contravention of these Recovery Rules. However, the Recovery Handbook does not form part of these Recovery Rules, the ASX Clear Rules or the ASX Clear (Futures) Rules. Also, these Recovery Rules prevail in the event of any inconsistency between these Recovery Rules and the Recovery Handbook.

The ASX CCP may vary or replace the Recovery Handbook from time to time. Any such variation or replacement of the Recovery Handbook will become effective at the time specified by the ASX CCP. The ASX CCP agrees to notify in advance the Participants of any such variation or replacement. The failure to give notice under this provision to, or the non-receipt of notice under this provision by, any Participant does not invalidate any variation or replacement.

## 1.6 Interpretation

Unless the contrary intention appears, in these Recovery Rules:

- (a) a reference to a particular “Rule” is a reference to that rule in these Recovery Rules;
- (b) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (c) a reference to a document (including the ASX Clear Rules, the ASX Clear (Futures) Rules, these Recovery Rules and the Recovery Handbook) includes any variation or replacement of it;
- (d) the word “law” includes common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) a reference to Australian dollars, dollars, AUD, \$ or A\$ is a reference to the lawful currency of Australia;
- (f) a reference to a time of day is a reference to Sydney time;
- (g) the word “person” includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- (h) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (j) a reference to the Corporations Act is a reference to the *Corporations Act 2001* (Cth);
- (k) an expression in a Rule which deals with a matter dealt with in a provision of the Corporations Act has the same meaning that it has in that provision of the Corporations Act; and
- (l) in the interpretation of a Rule, a construction that would promote the purpose or object underlying the Recovery Rules (whether that purpose or object is expressly stated in the Recovery Rules or not) is to be preferred to a construction which would not promote that purpose or object.

## 1.7 Number

In these Recovery Rules, the singular includes the plural and the plural includes the singular.

## 1.8 Headings

Headings (including those in brackets at the beginning of paragraphs) in these Recovery Rules are for convenience only and do not affect the interpretation of these Recovery Rules.

## 2 DEFAULT MANAGEMENT

### 2.1 Default Management

This Rule 2 describes key concepts in connection with the default management powers of the ASX CCP under the ASX CCP Rules.

These concepts are:

- Default and Defaulted Participant
- ASX CCP Loss and Defaulted Participant Assets
- Unmatched Book and Matched Book
- Default Waterfall
- Default Resources, Default Fund and Committed ASX Assets
- Default Period
- Effect on Participant Commitment
- Participant's Proportion

### 2.2 Default and Defaulted Participant

The ASX CCP Rules, supplemented by these Recovery Rules, set out what constitutes a default or event of default in respect of a Participant. These include those set out:

- (a) in rule 15.1 of the ASX Clear Rules as “events of default”, if the ASX CCP is ASX Clear; and
- (b) in rule 71.3 of the ASX Clear (Futures) Rules (as supplemented by rule 6 of the OTC Rules, if applicable) as “events of Default”, if the ASX CCP is ASX Clear (Futures).

Those events are referred to in these Recovery Rules as a **Default** and the Participant with respect to whom the Default occurred is referred to as a **Defaulted Participant**.

### 2.3 ASX CCP Loss and Defaulted Participant Assets

The amount the ASX CCP determines to be the aggregate amount of any loss arising, or suffered by the ASX CCP, in connection with the Default of a Participant (including the amount of any deficiency in the Defaulted Participant's Accounts) before the application or appropriation of any money, securities, collateral or other property of the Defaulted Participant is referred to as the **ASX CCP Loss**.

The money, securities, collateral and property held by the ASX CCP in any account of, or in respect of, the Defaulted Participant and the money, securities, collateral and property of the Defaulted Participant in respect of which the ASX CCP has any right to apply to discharge an ASX CCP Loss (however described in the ASX CCP Rules), including any Participant Commitment, margin or other amounts provided by the Defaulted Participant or which would otherwise be payable to the Default Participant are referred to as **Defaulted Participant Assets**.

## 2.4 Unmatched Book and Matched Book

If a Participant is in Default and the ASX CCP has determined that it is exposed to the risk that its payment and delivery obligations to Participants under Contracts will not be matched by the payments and deliveries made by Participants to it under Contracts, then the ASX CCP is referred to in these Recovery Rules as having an **Unmatched Book** with respect to that Default.

If, following such a determination, the ASX CCP determines that such a risk has been appropriately managed by measures such as (but not limited to) the ASX CCP:

- (a) entering into new Contracts or terminating existing Contracts; and
- (b) transferring obligations; and
- (c) entering into other transactions,

then the ASX CCP is referred to in these Recovery Rules as having restored a **Matched Book** in respect of that Default.

## 2.5 Default Waterfall

The order of application of assets specified in:

- (a) rule 8.3.1 of the ASX Clear Rules, if the ASX CCP is ASX Clear; and
- (b) rule 7.1 of the ASX Clear (Futures) Rules, if the ASX CCP is ASX Clear (Futures),

is referred to in these Recovery Rules as the **Default Waterfall**.

## 2.6 Default Resources, Default Fund and Committed ASX Assets

The assets which are available in accordance with the Default Waterfall to be allocated by the ASX CCP to meet an ASX CCP Loss following a Participant's Default are referred to as the **Default Resources** at that time. The Default Resources include, without double counting, any:

- (a) available amounts of the Defaulted Participant Assets which are then available;
- (b) available amounts of the Participant Commitment of all Participants (including any Defaulted Participants) which are then available;
- (c) amounts committed by the ASX CCP to the Default Waterfall which are, and (if the ASX CCP is ASX Clear) any NGF Amount which is, then available. These are referred to as **Committed ASX Assets**; and
- (d) amounts which are provided by Recovery Assessments which are then available.

However, the Default Resources do not include any:

- (i) amounts paid to the ASX CCP with respect to the termination of Contracts conducted in accordance with Schedules 3 (Partial Termination) or 4 (Complete Termination); or

- (ii) funds, assets or property of the ASX CCP which have not been committed by the ASX CCP to be applied.

The part of the Default Resources which is comprised of the available amounts of the Participant Commitment of all Participants (including any Defaulted Participants) and the Committed ASX Assets is referred to as the **Default Fund**.

## 2.7 Default Period

Each **Default Period**:

- (a) commences on (and includes) the day of the Default of a Participant (unless that day falls during an existing Default Period, in which case that existing Default Period continues); and
- (b) concludes on (and includes) the day which is 22 Business Days after:
  - (i) the ASX CCP determines that all ASX CCP Loss with respect to each Participant's Default which has occurred during the Default Period has been fully allocated either to the Default Resources or through the exercise of the Recovery Powers; and
  - (ii) the ASX CCP determines that all default management processes with respect to the Default Period have been completed.

Following the conclusion of a Default Period in accordance with paragraph (b), a new Default Period will not commence until the occurrence of the next Default (if any) in accordance with paragraph (a).

The ASX CCP will notify Participants of the commencement and the conclusion of each Default Period. However, any failure to provide this notice does not affect the occurrence and continuation of the Default Period.

*[Explanatory Note: A Default Period is the period from the Default of a Participant to the date which is 22 Business Days (such 22 Business Days period being the "cooling-off period") after the ASX CCP determines that the ASX CCP Loss arising with respect to that Default has been fully allocated either to the Default Resources or through the exercise of the Recovery Powers and the ASX CCP determines that all default management processes with respect to the Default Period have been completed. However, the period is extended by each Default which occurs during this period.]*

## 2.8 Effect on Participant Commitment

During a Default Period:

- (a) any calculation or re-calculation of a Participant Commitment and ASX's right to call additional Participant Commitment; and
- (b) the Participants' right to withdraw or otherwise request the return, or re-calculation, of Participant Commitment,

are suspended. Except as expressly provided, these Recovery Rules do not otherwise affect a Participant's obligations under the ASX CCP Rules with respect to Participant Commitment.

## 2.9 Participant's Proportion

In these Recovery Rules, the **Proportion** attributable to a Participant is equal to the proportion which:

- (a) if the ASX CCP is ASX Clear, the Participant's most recently calculated quarterly average daily Initial Margin (referred to as **Quarterly Initial Margin**) *bears to* the sum of the most recently calculated Quarterly Initial Margin in respect of all Participants, other than those Participants which have Defaulted. For the purpose of this calculation, **Initial Margin** is the amount of money determined by the ASX CCP as the initial margin for a Contract; and
- (b) if the ASX CCP is ASX Clear (Futures), the Participant's most recently calculated Participant Commitment *bears to* the sum of the most recently calculated Participant Commitment in respect of all Participants, other than those Participants which have Defaulted.

### 3 RECOVERY POWERS

#### 3.1 Recovery Powers

Each of the following are **Recovery Powers** exercisable by the ASX CCP:

- Recovery Assessment
- ASX Payments Reduction
- Partial Termination
- Complete Termination
- Replenishment

The Recovery Powers are set out in the Schedules to these Recovery Rules. This Rule 3 sets out when each of the Recovery Powers may be exercised by the ASX CCP. The ASX CCP and each Participant are bound by the Recovery Powers exercised by the ASX CCP.

#### 3.2 Conditions to Recovery Assessment

The ASX CCP may exercise the rights and powers set out in Schedule 1 (Recovery Assessment) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP reasonably expects that there is an ASX CCP Loss or that an ASX CCP Loss may arise in the future with respect to the Default Period which has been, or may be, allocated to the Default Fund; and
- (c) the ASX CCP has not determined in accordance with Rule 3.5 (Conditions to Complete Termination) that it will exercise the rights and powers set out in Schedule 4 (Complete Termination).

#### 3.3 Conditions to ASX Payments Reduction

The ASX CCP may exercise the rights and powers set out in Schedule 2 (ASX Payments Reduction) if the following conditions are satisfied:

- (a) the applicable ASX CCP Rules are the ASX Clear (Futures) Rules; and
- (b) a Participant has Defaulted; and

- (c) the ASX CCP reasonably expects that there is an ASX CCP Loss or that an ASX CCP Loss may arise in the future with respect to the Default Period which has been, or may be, allocated to the Default Fund; and
- (d) either:
  - (i) the ASX CCP reasonably expects that the ASX CCP Loss will not be, or may not be able to be, fully allocated to the Default Resources; or
  - (ii) the ASX CCP reasonably expects that it will not receive sufficient Net ASX Receipts in order to pay Net ASX Payments (each as defined in, and excluding the effect of any reduction under, Schedule 2 (ASX Payments Reduction)) as and when they become due and payable; and
- (e) the ASX CCP has not exercised the rights and powers set out in Schedule 4 (Complete Termination).

### 3.4 Conditions to Partial Termination

The ASX CCP may exercise the rights and powers set out in Schedule 3 (Partial Termination) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP has an Unmatched Book and it reasonably expects that the exercise of those rights and powers may restore a Matched Book and the ASX CCP reasonably believes that it is unlikely to be able to otherwise restore a Matched Book in a reasonable time as determined by the ASX CCP; and
- (c) the ASX CCP reasonably expects that the Net Termination Values which are to be payable by it in accordance with Schedule 3 (Partial Termination) will be paid in full; and
- (d) the ASX CCP has not determined in accordance with Rule 3.5 (Conditions to Complete Termination) that it will exercise the rights and powers set out in Schedule 4 (Complete Termination).

### 3.5 Conditions to Complete Termination

The ASX CCP may exercise the rights and powers set out in Schedule 4 (Complete Termination) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) the ASX CCP reasonably expects that:
  - (i) if it has an Unmatched Book, it is unlikely to otherwise be able to restore a Matched Book within a reasonable time (including by exercising the rights and powers set out in Schedule 3 (Partial Termination)), as determined by the ASX CCP; or
  - (ii) the amount of payments which are, or will become, payable by it under the ASX CCP Rules (including these Rules) but which are not ASX Payments for the purpose of Schedule 2 (ASX Payments Reduction) is likely to exceed the Default Resources; or

- (iii) the use of its other rights and powers to allocate ASX CCP Loss or to restore a Matched Book would not be consistent with its obligations as a CS facility licensee, including that the ASX CCP must, to the extent that it is reasonably practicable to do so, comply with the financial stability standards which apply to it and do all other things necessary to reduce systemic risk; and
- (c) if the ASX CCP chooses to do so, the ASX CCP has invited Participants to make voluntary payments to the ASX CCP.

### 3.6 Conditions to Replenishment

The ASX CCP may exercise the rights and powers set out in Schedule 5 (Replenishment) if the following conditions are satisfied:

- (a) a Participant has Defaulted; and
- (b) no Default Period is subsisting; and
- (c) the ASX CCP has not determined to exercise its rights and powers under Rule 10 (Voluntary Wind-Down) in respect of all product classes.

## 4 RESIGNATION

### 4.1 Resignation

This Rule 4 sets out the effect of resignation by a Participant on the Participant's obligations under the Recovery Powers.

This Rule 4 prevails over the other provisions of the ASX CCP Rules relating to the resignation of a Participant once a Default Period has commenced.

### 4.2 Resignation Notice

If a Participant wishes to resign as a Participant, the Participant must:

- (a) give written notice to the ASX CCP of its intention to resign and the proposed date of resignation (referred to as a **Resignation Notice**). The proposed date of resignation must be a date at least the number of Business Days specified for this purpose in the Recovery Handbook after the date on which the notice is given;
- (b) satisfy the ASX CCP that it has taken, or will have taken before the proposed date of resignation, proper steps for the orderly winding down of its business in respect of the ASX CCP;
- (c) confirm it is not the subject of any disciplinary proceedings or enforcement action within the jurisdiction of the ASX CCP; and
- (d) comply with any reasonable direction of the ASX CCP in relation to the orderly winding down of its business in respect of the ASX CCP.

### 4.3 Acceptance of Resignation Notice

The ASX CCP may accept a Participant's Resignation Notice when the Participant has:

- (a) complied with Rule 4.2 (Resignation Notice);
- (b) no Contracts or Market Contracts;
- (c) no obligations (including but not limited to the payment of all fees and any obligations to pay money or deliver an asset) arising directly or indirectly from any Contract or Market Contract under the ASX CCP Rules;
- (d) satisfied all its obligations to the ASX CCP, including paid all outstanding fees and amounts owing by the Participant under the ASX CCP Rules and paid all outstanding Recovery Assessments owing by the Participant under the Recovery Rules; and
- (e) confirmed, and the ASX CCP agrees, that it is not the subject of any ongoing disciplinary proceedings or enforcement action within the jurisdiction of the ASX CCP.

Once these conditions have been satisfied, the ASX CCP will not unreasonably refuse to accept the Participant's Resignation Notice.

The ASX CCP will notify the Participants when a Participant's Resignation Notice has been accepted.

#### **4.4 Effectiveness of resignation**

A resignation which has not become effective before the commencement of a Default Period cannot become effective until the end of the Default Period, even if the ASX CCP accepts a Participant's Resignation Notice before, or during, the Default Period.

The ASX CCP will notify the Participants when a Participant's resignation becomes effective.

#### **4.5 Certain obligations to continue**

Neither the acceptance by the ASX CCP of the Participant's Resignation Notice, nor the effectiveness of the Participant's resignation, affects any accrued rights which the ASX CCP, a Related Body Corporate of the ASX CCP, or other Participants have against the Participant or any accrued obligations which the Participant has to the ASX CCP, a Related Body Corporate of the ASX CCP or to other Participants.

Without limiting the previous paragraph, after a Participant's resignation becomes effective:

- (a) the ASX CCP Rules continue to apply and the ASX CCP will continue to have jurisdiction in respect of the Participant concerning any conduct or any failure to comply with the ASX CCP Rules which occurred before the resignation becomes effective, whether that conduct or failure was by the Participant or by any other person for whose conduct the Participant was responsible;
- (b) the Participant continues to be bound by any indemnity given by the Participant under the ASX CCP Rules; and
- (c) other ASX CCP Rules continue to apply in respect of the Participant to the extent required to give effect to Rules 4.5(a) and (b) above.

#### 4.6 Effect of resignation on Recovery Assessment

The ASX CCP may not request a Recovery Assessment from an entity which has resigned from being a Participant after its resignation has taken effect.

If the ASX CCP reasonably believes that one or more Recovery Assessments may be made in respect of one or more Defaults in a Default Period then the ASX CCP may retain any amounts it determines to cover those Recovery Assessments from any amounts which would otherwise be payable by it to the resigning Participant. If the ASX CCP determines that these amounts are no longer needed, then it will pay them to the entity which resigned as a Participant (without being obliged to pay any additional amounts for the delay in payment of those amounts).

#### 4.7 Effect of resignation on ASX Payments Reduction

As resignation may only take effect once a Participant has no outstanding Contracts, and the ASX Payments Reduction applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to ASX Payments Reduction.

#### 4.8 Effect of resignation on Partial Termination

As resignation may only take effect once a Participant has no outstanding Contracts, and the Partial Termination applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to Partial Termination.

#### 4.9 Effect of resignation on Complete Termination

As resignation may only take effect once a Participant has no outstanding Contracts, and Complete Termination applies only to outstanding Contracts, a Participant whose resignation has taken effect is not subject to Complete Termination.

#### 4.10 Effect of resignation on Replenishment

The ASX CCP may not request a Replenishment Amount from a Participant whose resignation was effective at the end of the Default Period which immediately preceded the call of the Replenishment Amount.

### 5 REIMBURSEMENT

#### 5.1 Excess Amounts

If the ASX CCP exercises its powers under Schedules 1 (Recovery Assessment) or 2 (ASX Payments Reduction), or under Paragraph 6 of Schedule 4 (Complete Termination), or if the ASX CCP is provided a Voluntary Payment or otherwise applies assets of the ASX CCP or a Participant in accordance with the Default Waterfall to meet an ASX CCP Loss in a Default Period then:

- (a) any amounts which the ASX CCP subsequently recovers from a Defaulted Participant; and
- (b) any amount of Recovery Assessments paid to the ASX CCP during a Default Period which were not required to enable the ASX CCP to meet an ASX CCP Loss in respect of that Default Period,

less any costs and expenses incurred by the ASX CCP in connection with the recovery and any amounts payable by the Contributors to the ASX CCP are **Excess Amounts** for that Default Period.

## 5.2 Contributors and Reimbursable Amounts

The **Contributors** for a Default Period are those entities (including Participants, and the ASX CCP but excluding any Defaulted Participant):

- (a) who provided Recovery Assessments in accordance with Schedule 1 (Recovery Assessment); or
- (b) whose Net ASX Payments were reduced in accordance with Schedule 2 (ASX Payments Reduction); or
- (c) whose Net Termination Value payable to it under Schedule 4 (Complete Termination) was reduced in accordance with Paragraph 6 of that Schedule; or
- (d) whose Committed ASX Assets or Participant Commitment was otherwise applied in accordance with the Default Waterfall; or
- (e) who provided Voluntary Payments in accordance with Rule 11 (Voluntary Payments).

For each Contributor, the aggregate amount of its Recovery Assessments, the amount by which its Net ASX Payments have been reduced, the amount by which its Net Termination Value has been reduced, the amount of its Committed ASX Assets or Participant Commitment applied in accordance with the Default Waterfall and its Voluntary Payments referred to in paragraphs (a), (b), (c), (d) or (e) above for that Default Period less any amounts remaining payable by the Contributor to the ASX CCP is the **Reimbursable Amount** for that Contributor.

## 5.3 Reimbursement

After the end of a Default Period, the ASX CCP must account to the Contributors for any Excess Amounts with respect to that Default Period up to the Reimbursable Amount for each Contributor. Excess Amounts are to be applied in the following order:

- (a) *first*, to reimburse the amount of any Voluntary Payments paid in accordance with Rule 11 (Voluntary Payments). These payments are to be made pro rata to the Contributors who made such payments, up to the amount of such payments;
- (b) *second*, to reimburse the amount of any reductions made to any Net Termination Value payable by the ASX CCP in accordance with Paragraph 6 of Schedule 4 (Complete Termination). These payments are to be made pro rata to Participants who have suffered such a reduction, up to the amount of such reductions;
- (c) *third*, to reimburse the amount of any reductions made to any Net ASX Payments payable by the ASX CCP in accordance with Schedule 2 (ASX Payments Reduction). These payments are to be made pro rata to the Contributors who suffered such a reduction, up to the amount of such reductions;
- (d) *fourth*, to reimburse the amount of Recovery Assessments paid in accordance with Schedule 1 (Recovery Assessment). These payments are to be made pro rata to the Contributors who paid the Recovery Assessments up to the amount of the Recovery Assessments which have been paid; and
- (e) *fifth*, in reverse order to the order for the application of assets set out in the Default Waterfall (including but not limited to any assets of the ASX CCP). These payments are to be made pro rata to the Contributors whose assets were so applied, up to the amount of such applications. No Contributor will

be entitled to be reimbursed for the assets which were so applied unless all Contributors have been reimbursed for assets which were so applied that were ranked lower in the Default Waterfall.

A Contributor may not receive more than its Reimbursable Amount.

#### 5.4 Limit on reimbursement

However, the ASX CCP is not required to account to any Contributor which is not the ASX CCP for any amount:

- (a) which is liable to be set aside under any law relating to insolvency or bankruptcy; or
- (b) which is necessary to meet a Recovery Assessment required from the Contributor or to discharge any other overdue debt obligation of the Contributor to the ASX CCP at that time.

Nothing in this Rule limits the ASX CCP's right to set off amounts owing between it and a Contributor which is not the ASX CCP under these Rules or otherwise.

#### 5.5 Effect of resignation

References in this Rule 5 to Participants include entities which have resigned from being Participants.

### 6 ALLOCATION OF INVESTMENT LOSSES

#### 6.1 ASX Investments and ASX Clearing Corporation

Investments of funds received by ASX Clear and ASX Clear (Futures) are made by ASX Clearing Corporation Limited (referred to as **ASX Clearing Corporation**). These investments are referred to in this Rule 6 as **ASX Investments**.

#### 6.2 Investment Default and Investment Loss

Either of the following is an **Investment Default**:

- (a) the insolvency or default of the issuer of an ASX Investment, or the counterparty to ASX Clearing Corporation in respect of the ASX Investment. In the case of an ASX Investment which is a deposit, this includes the deposit-taking institution; or
- (b) a loss which has been recognised with respect to, or other recognised diminution in value of, an ASX Investment (including such loss or diminution which arises in connection with a restructuring or similar event which occurs in respect of the ASX Investment).

If an Investment Default occurs, then ASX Clearing Corporation may determine, in its sole discretion, that a loss has been caused by or arises out of that Investment Default. If ASX Clearing Corporation determines that the amount of that loss is in excess of A\$75 million then the amount of that excess (as determined by ASX Clearing Corporation) is the **Investment Loss** in respect of that Investment Default.

#### 6.3 ASX CCP Investment Loss and Participant Investment Loss

Each Investment Loss is to be allocated to each Participant in the following way:

- (a) ASX Clearing Corporation is to allocate an amount of the Investment Loss to the ASX CCP. This is to be determined on the basis of ASX Clearing Corporation's calculation of the interest which the ASX CCP holds in the total amount of ASX Investments. The amount so allocated to the ASX CCP is the **ASX CCP Investment Loss**; and

- (b) the ASX CCP is to allocate the ASX CCP Investment Loss which has been allocated to it to each Participant as at the time of the Investment Default. This allocation is to be determined on the basis of the ASX CCP's calculation of the amount representing funds which the Participant has paid to the ASX CCP in accordance with the Rules (including Participant Commitment, margin and excess cash) and which has been invested in ASX Investments as at the time of the Investment Default. The amount so allocated to a Participant in this manner is the **Participant Investment Loss**.

The determination of these amounts is final and binding on the Participant, absent manifest error.

#### 6.4 Allocation to Participant Investment Loss

The ASX CCP is to allocate the Participant Investment Loss for a Participant amongst the amounts representing funds which that Participant has paid to the ASX CCP in accordance with the Rules (including Participant Commitment, margin and excess cash) on a pro-rata basis across its relevant Accounts. Each such amount is immediately reduced by the amount so allocated to it provided that no amount can be reduced to less than zero. The Participant is to reinstate the amount of such a reduction in accordance with the ordinary operation of the ASX CCP Rules.

#### 6.5 Reimbursement of Recovered Amounts

If the ASX CCP exercises its powers under this Rule 6 in respect of an Investment Default and the ASX CCP subsequently recovers an amount in respect of any ASX Investment which was the subject of the Investment Default, then the amount recovered, less any costs and expenses incurred by either the ASX CCP or ASX Clearing Corporation in connection with the recovery, is the **Recovered Amount** for that Investment Default.

The ASX CCP must use the Recovered Amount in respect of an Investment Default to reimburse the Participants which suffered a reduction in the amount representing funds which the Participants have paid to the ASX CCP in accordance with the Rules (including Participant Commitment, margin or excess cash) because of their Participant Investment Loss with respect to that Investment Default. This is to be paid pro rata to those Participants up to the amount of the relevant reduction.

However, the ASX CCP is not required to account to any Participant for any amount which is necessary to discharge any other overdue debt obligation of the Participant to the ASX CCP at that time.

## 7 CONSULTATION

### 7.1 Reserve Bank of Australia

The ASX CCP will consult with the Reserve Bank of Australia with respect to the exercise of the ASX CCP's Recovery Powers.

### 7.2 Risk Committee

The ASX CCP will consult with its Risk Committee to the extent reasonably practicable:

- (a) with respect to the use of the rights and policies set out in Schedule 2 (ASX Payments Reduction) if:
  - (i) the aggregate amount of reductions to Net ASX Payments which have been effected during a Default Period exceeds the amount specified for this purpose in the Recovery Handbook; or

- (ii) the Reduction Period exceeds 7 Business Days; and
- (b) in connection with the exercise of its rights or powers set out in Rule 11 (Voluntary Payments) before it invites any Participant to make a Voluntary Payment; and
- (c) in connection with the exercise of its rights or powers set out in Schedules 3 (Partial Termination) or 4 (Complete Termination) before it exercises such rights or powers; and
- (d) in connection with determining the Contracts which are to be terminated in accordance with Schedule 3 (Partial Termination) before it terminates the relevant Contracts; and
- (e) in connection with the calculation of Termination Values for the purpose of Schedules 3 (Partial Termination) or 4 (Complete Termination) before notifying Participants of the relevant Net Termination Value; and
- (f) in connection with the amount of the Total Replenishment Amount to be determined in accordance with Schedule 5 (Replenishment) before calling for Participants to pay their Participant Replenishment Amounts; and
- (g) in connection with any additional amounts to be called from Participants to satisfy an ASX CCP Regulatory Requirement in accordance with Schedule 5 (Replenishment) before calling for Additional Regulatory Amounts; and
- (h) in connection with the exercise of its rights or powers set out in Rule 10 (Voluntary Wind-Down) before exercising such rights or powers.

However, the ASX CCP is not required to consult with its Risk Committee where it has been directed to exercise or not exercise any right or power, or take or not take any action, in connection with a Default or these Recovery Rules by a governmental or regulatory entity or department.

## **8 RELATIONSHIP WITH THE ASX CCP**

### **8.1 No right to compel the ASX CCP to take action**

Nothing in these Recovery Rules creates any right to compel the ASX CCP to take any action against, or to recover any amounts from a Defaulted Participant, an issuer of an ASX Investment, or the counterparty to ASX Clearing Corporation in respect of the ASX Investment.

No Participant has any entitlement to, or interest in, any recovery from or any other amount payable to the ASX CCP by or in respect of the Defaulted Participant or in connection with an Investment Default.

Nothing in this Rule 8.1 prevents the application of:

- (a) rule 8.3.6 of the ASX Clear Rules, if the ASX CCP is ASX Clear; and
- (b) rule 7.4 of the ASX Clear (Futures) Rules, if the ASX CCP is ASX Clear (Futures).

### **8.2 Relationship with the ASX CCP's default rules**

Nothing in connection with these Recovery Rules causes the ASX CCP to be in default for the purpose of:

- (a) rule 15.11.1 of the ASX Clear Rules, if the ASX CCP is ASX Clear; and
- (b) rule 76.1 of the ASX Clear (Futures) Rules, if the ASX CCP is ASX Clear (Futures).

However, if despite this the relevant ASX CCP Rules set out in (a) or (b) (as applicable) apply because the ASX CCP is in default then those ASX CCP Rules prevail over these Recovery Rules.

### **8.3 Effect of ASX payment**

Payment by the ASX CCP (including by entry into a Participant's Account) of a Net ASX Payment as reduced in accordance with Schedule 2 (ASX Payments Reduction), or a Net Termination Value with respect to Contracts in accordance with Schedules 3 (Partial Termination) or 4 (Complete Termination):

- (a) satisfies in full the ASX CCP's obligation to pay the relevant Net ASX Payment(s) or make any further payments or deliveries under the terminated Contracts (as applicable); and
- (b) discharges any obligation of the ASX CCP to pay, and any right of a Participant to receive, any amounts, including interest, in connection with the Net ASX Payment or the terminated Contracts (as applicable); and
- (c) does not give rise to any obligation for the ASX CCP to make good the amount of any reduction made to any Net ASX Payment or the terminated Contracts (as applicable),

except as expressly provided by Rule 5 (Reimbursement) and, in respect of amounts of Net ASX Payments as reduced in accordance with Schedule 2 (ASX Payments Reduction), the ASX CCP's obligation, if any, to pay an Adjustment Amount in accordance with Schedule 2 (ASX Payments Reduction).

### **8.4 Limited recourse**

The ASX CCP's liability in connection with the payment of an amount to a Participant (or entity which was a Participant) following a Default may be discharged from, and the recourse of the Participants and other persons is limited to, the aggregate amount then available of the Default Resources and (if applicable) the amounts paid to the ASX CCP with respect to the termination of Contracts conducted in accordance with Schedules 3 (Partial Termination) or 4 (Complete Termination) only.

The application of this aggregate amount in accordance with the ASX CCP Rules towards amounts payable by the ASX CCP under the ASX CCP Rules (including these Recovery Rules) constitutes a complete discharge of the ASX CCP's liability to the Participants and any other person in connection with those amounts.

## **9 EMERGENCIES AND FORCE MAJEURE**

Nothing in these Recovery Rules limits the rights and remedies available to the ASX CCP in connection with Section 16 (State of Emergency, Undesirable Practices and Impossibility of Performance) of the ASX Clear Rules or Part 8 (Emergency Situations and Force Majeure) of the ASX Clear (Futures) Rules.

## **10 VOLUNTARY WIND-DOWN**

If no Default Period is subsisting and the ASX CCP determines that its business is unviable and decides to cease to provide the clearing services it provides under the ASX CCP Rules in respect to any, or all, product classes, the ASX CCP agrees to provide at least 90 days' notice to all Participants in writing of the date on which the service with respect to those product classes will cease. However, this is not invalidated by any Participant not receiving this notice.

The ASX CCP will consult with the Risk Committee regarding the process for the discontinuation of the clearing service.

If there are any outstanding Contracts of a relevant product class on the date for cessation of the service which has been notified by the ASX CCP then the ASX CCP may, at its sole discretion:

- (a) terminate any or all of such outstanding Contracts and require them to be cash settled at a price determined by the ASX CCP by reference to the last determined daily closing price for such Contracts (which is to be zero for any Cash CCP Transactions); or
- (b) postpone the date of the cessation of the service until such time as the ASX CCP determines.

Participants must assist and co-operate with the ASX CCP as the ASX CCP exercises its rights under this Rule and carries out the orderly winding-down of its remaining business, and use best endeavours to effect the unwinding of their remaining Contracts, by (but not limited to) liquidating, compressing, closing-out or otherwise terminating their Contracts.

## 11 VOLUNTARY PAYMENTS

### 11.1 Voluntary Payment Notice

At any time after a Default has occurred, the ASX CCP may, by notice, invite each Participant to make a payment of funds (referred to as a **Voluntary Payment**) to the ASX CCP. The notice given by the ASX CCP under this Rule is referred to as the **Voluntary Payment Notice**. However, any failure to provide the Voluntary Payment Notice does not affect the ability of the ASX CCP to exercise any Recovery Powers, the ability of a Participant to make Voluntary Payments or any other rights or remedies under the ASX CCP Rules.

The ASX CCP may not invite a Participant to make a Voluntary Payment if that Participant is Defaulted Participant at the time of the Voluntary Payment Notice.

A Participant is not obliged to make a Voluntary Payment. The ASX CCP may choose, in its absolute discretion, whether or not to accept any Voluntary Payment.

If a Participant intends to make a Voluntary Payment, it must do so in the manner, and within the timeframe, specified for this purpose in the Recovery Handbook.

### 11.2 Treatment of Voluntary Payment

A Voluntary Payment, once received by the ASX CCP:

- (a) may not be withdrawn or revoked for any reason whatsoever; and
- (b) is the absolute and beneficial property of the ASX CCP and is to be applied or otherwise used by the ASX CCP for the purpose agreed with the Participant who made the Voluntary Payment.

### 11.3 Effect of Voluntary Payment

The payment of a Voluntary Payment does not give rise to:

- (a) any obligation for ASX to make good; or

- (b) any right, title or interest of the Participant (including under equity) to, any part or all of the Voluntary Payment or other amount, including interest, in connection with the Voluntary Payment, except:
- (c) as set out in Rule 5 (Reimbursement); and
- (d) to the extent the ASX CCP specifically states otherwise in writing in which case any such obligations or right, title and interest will be strictly limited to the amounts, obligations or rights set out in the ASX CCP's written statement.

## **12 MISCELLANEOUS**

### **12.1 Payments by Participants**

Each payment made by a Participant under these Recovery Rules or the Recovery Handbook must:

- (a) transfer all right, title and interest in the amount of money paid to the ASX CCP; and
- (b) be in the currency in which it is due and in immediately available and freely transferable funds; and
- (c) be made on the due date for value on that date in Sydney; and
- (d) be in full without set-off, cross-demand or counterclaim and without any deduction for taxes, levies, imposts, charges or duties (including stamp and transaction duties) imposed by any authority unless prohibited by law. Payments in respect of which such deduction or withholding is required to be made by law by the Participant, will be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the ASX CCP receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made; and
- (e) be made in accordance with the Recovery Handbook.

### **12.2 Consequences of Participant not complying**

If a Participant does not pay an amount due to be paid by it in the time and manner required under these Recovery Rules then:

- (a) the Participant must pay interest to the ASX CCP on the unpaid amount. Interest is to be calculated according to the formula set out in the Recovery Handbook; and
- (b) the failure is a contravention of the ASX CCP Rules and constitutes an event of default and a Default under the ASX CCP Rules and the ASX CCP may exercise any of its rights in connection with that Default; and
- (c) without limiting paragraph (b), the ASX CCP may immediately, or with such notice to a Participant as the ASX CCP in its absolute discretion decides, suspend the Participant's authority to clear all or any category of Contract and enforce its rights in connection with the Recovery Rules or impose such other conditions or restrictions on the Participant's participation as the ASX CCP sees fit until the amount is paid.

### **12.3 Payments by the ASX CCP**

If a law requires the ASX CCP to withhold or deduct an amount in respect of taxes, levies, imposts, charges or duties (including stamp and transaction duties) imposed by any authority from a payment to a Participant, the ASX CCP will withhold or deduct the amount. The ASX CCP is not liable to pay any additional amount to the Participant in respect of any such withholding or deduction.

### **12.4 Discretion in exercising rights**

The ASX CCP may exercise a right or remedy or give or refuse its consent under these Recovery Rules in any way it considers appropriate (including by imposing conditions).

Any exercise of discretion or other choice by the ASX CCP under these Recovery Rules may be made in the absolute discretion of the ASX CCP unless these Recovery Rules expressly state otherwise. However, the ASX CCP will exercise such rights and remedies in good faith having regard to the obligations, duties, powers and discretions which it has as the holder of, or in connection with the holding of, an Australian CS facility licence under Part 7.3 of the Corporations Act.

The rights and remedies of the ASX CCP under these Recovery Rules may be exercised even if the ASX CCP has a personal interest in their exercise.

Each Participant agrees to comply with all conditions in any consent the ASX CCP gives in connection with these Recovery Rules.

### **12.5 Partial exercising of rights**

If the ASX CCP does not exercise a right or remedy under these Recovery Rules fully or at a given time, it may still exercise it later.

### **12.6 Failure to provide notice**

A failure by the ASX CCP to provide a notice of an exercise of rights in accordance with these Recovery Rules, or non-receipt by any Participant of the notice, does not invalidate the exercise of those rights.

### **12.7 No liability for loss**

Without limiting any other limitation on the liability of the ASX CCP under the ASX CCP Rules or otherwise, the ASX CCP, each Related Body Corporate of the ASX CCP and each of those entities' officers, employees, representatives, agents and contractors is not liable for any direct, indirect or consequential loss, liability, damage, cost or expense (including legal costs) whatsoever arising in any way (including but not limited to by negligence) from the exercise or attempted exercise of, failure to exercise, or delay in exercising, a power, right, discretion or remedy under these Recovery Rules.

### **12.8 Set-off**

Without limiting any other rights the ASX CCP may have under the ASX CCP Rules or otherwise, at any time, the ASX CCP may set off any amount owing by the ASX CCP to a Participant (whether or not due for payment) against any amount due for payment by the Participant to the ASX CCP in connection with the ASX CCP Rules (including these Recovery Rules).

The ASX CCP may do anything necessary to effect any set-off under this Rule (including varying the time for payment of any amount owing by the ASX CCP to the Participant and making currency exchanges).

## **12.9 Participants to indemnify the ASX CCP**

Each Participant indemnifies and will keep indemnified the ASX CCP and its officers, employees, representatives, agents and contractors against all actions, proceedings, claims, demands, losses, damages, costs, expenses and any other amounts including any transaction taxes, goods and services taxes or any other duties or taxes (extending to include any taxes payable by the ASX CCP on a payment made under this indemnity) against or incurred by any of the ASX CCP, its officers, representatives, agents or contractors arising out of or in connection with any Default, any circumstances referred to in these Recovery Rules or any action taken by, or any inaction by, any of the ASX CCP or its officers, employees, representatives, agents or contractors under these Recovery Rules or in compliance with a direction of the Reserve Bank of Australia, Australian Securities and Investments Commission or any officer, employee, manager, representative, agent, contractor or other person appointed by, or acting on behalf of, the Reserve Bank of Australia or Australian Securities and Investments Commission.

## **12.10 Protection of third parties**

No person need enquire whether any action taken under these Recovery Rules is properly or validly taken nor will a person be affected by any notice or claim that any action taken under these Recovery Rules is improper or unnecessary.

## **12.11 Survival of powers**

Except to the extent that these Recovery Rules expressly provide otherwise, the rights, powers and remedies of the ASX CCP under these Recovery Rules in relation to a Participant survive the suspension or termination of the Participant's admission as a Participant, the resignation of the Participant or termination of a Participant's authorisation to clear a category or categories of Market Contract.

## **12.12 Remedies cumulative**

The rights and remedies of the ASX CCP under these Recovery Rules are in addition to other rights and remedies available under the ASX CCP Rules or given by law independently of these Recovery Rules.

## **12.13 No duty**

No power conferred on the ASX CCP in connection with these Recovery Rules, including any power to exercise a Recovery Power or ancillary rights, imposes any duty on the ASX CCP, any Related Body Corporate of the ASX CCP or any director, officer, employee, agent or contractor of the ASX CCP to exercise such rights or powers or to exercise such rights or powers in a particular way, and no person has any claim against the ASX CCP in relation to any decision made bona fide to exercise or refrain from exercising such powers.

## **12.14 Governing law**

These Recovery Rules are to be interpreted in accordance with the laws of New South Wales.

# Schedule 1 – Recovery Assessment

*This Schedule sets out the Recovery Assessment powers of the ASX CCP. Rule 3.2 (Conditions to Recovery Assessment) sets out when these powers may be exercised by the ASX CCP.*

## 1 The ASX CCP's determination of Total Recovery Assessment

At any time during a Default Period, if the ASX CCP determines that recovery assessments are to be paid then it must determine the amount of recovery assessments which is required to be paid at that time (**Total Recovery Assessment**). Such a determination may be made more than once during a Default Period.

## 2 Recovery Assessment due from each Participant

If the ASX CCP determines that a Total Recovery Assessment is to be paid, then it must calculate and notify each Participant (other than a Participant who is a Defaulted Participant at that time of this determination) of the Participant's Proportion of the Total Recovery Assessment and the time by which the Participant's Proportion of the Total Recovery Assessment is payable (which must be no later than the time specified in the Recovery Handbook on the next Business Day after the notice is given).

A Participant's Proportion of a Total Recovery Assessment is that Participant's **Recovery Assessment**.

The ASX CCP may demand the payment of a Recovery Assessment irrespective of the other assets that are or may be available to enable the ASX CCP to meet an ASX CCP Loss.

## 3 Payment of Recovery Assessment

Each Participant must pay each of its Recovery Assessments by the time specified by the ASX CCP in the relevant notice given to the Participant under Paragraph 2.

However, a Participant is not obliged to pay a Recovery Assessment during a Default Period to the extent that the Participant's aggregate Recovery Assessment for the Default Period exceeds:

- (a) if the ASX CCP is ASX Clear, the Participant's Cap Proportion of the **ASX Clear Assessment Cap** (which is \$300 million). A Participant's **Cap Proportion** is to be calculated on the same basis as the Participant's Proportion, except that the sum of the Quarterly Initial Margin in respect of all Participants is not to include the two Participants with the highest Quarterly Initial Margin. If the ASX CCP is ASX Clear, the ASX CCP will calculate and notify each Participant of the Participant's most recently calculated Cap Proportion and its Quarterly Initial Margin in the manner specified in the Recovery Handbook;
- (b) if the ASX CCP is ASX Clear (Futures):
  - (i) if there is only a single Default during the Default Period, the Participant Commitment at the time which the Default Period commenced; and
  - (ii) if there is more than one Default during the Default Period, an amount equal to three times the Participant Commitment of the Participant at the time at which the Default Period commenced,

(the maximum amount payable by a Participant under Paragraph 3(b)(i) or (ii) being the **ASX Clear (Futures) Maximum Assessment**).

The ASX CCP will review the ASX Clear Assessment Cap and the ASX Clear (Futures) Maximum Assessment (as applicable) in accordance with the annual review of financial resources conducted under the ASX CCP Rules.

#### **4 Nature of Recovery Assessment**

A Recovery Assessment:

- (a) is a debt due and payable to the ASX CCP by the relevant Participant; and
- (b) must be paid in cash, in immediately available funds; and
- (c) received by the ASX CCP is the ASX CCP's absolute legal and beneficial property.

The ASX CCP is not required to pay interest to a Participant in respect of any Recovery Assessment.

#### **5 Application of Recovery Assessment**

A Recovery Assessment paid in connection with a Default Period cannot be applied by the ASX CCP to discharge, or to compensate the ASX CCP for discharging, obligations other than those referable to an ASX CCP Loss which arises in that Default Period.

## Schedule 2 – ASX Payments Reduction

*This Schedule sets out the ASX Payments Reduction powers of the ASX CCP. Rule 3.3 (Conditions to ASX Payments Reduction) sets out when these powers may be exercised by the ASX CCP.*

### 1 ASX Payments and ASX Receipts

All amounts payable by the ASX CCP under the ASX CCP Rules (including, but not limited to, Variation Margin and amounts payable under these Recovery Rules) other than:

- (a) amounts of Initial Margin; and
- (b) amounts payable in connection with default management, including amounts payable with respect to any DM Auction but excluding variation margin forming part of a default management payment; and
- (c) Net Termination Values payable by the ASX CCP under Schedule 3 (Partial Termination); and
- (d) Net Termination Values payable by the ASX CCP under Schedule 4 (Complete Termination),

are referred to as **ASX Payments**. Amounts of an equivalent type to ASX Payments which are payable to the ASX CCP are referred to as **ASX Receipts**.

### 2 Net ASX Receipts, Net ASX Payments, Net Participant ASX Receipts and Net Participant ASX Payments

The ASX CCP will calculate, in respect of each Account (excluding any Account of a Defaulted Participant), the net amount of:

- (a) ASX Receipts payable to the ASX CCP in respect of the Account on that day (such amounts having a positive value); and
- (b) ASX Payments payable by the ASX CCP in respect of the Account on that day (excluding the effect of any reduction for that day) (such amounts having a negative value).

If the net amount calculated in respect of an Account is:

- (i) positive, the net amount is payable to the ASX CCP and is referred to as a **Net ASX Receipt**; or
- (ii) negative, the net amount is payable by the ASX CCP and is referred to as a **Net ASX Payment**.

The ASX CCP will then calculate, in respect of each Participant (excluding any Defaulted Participant), the net amount of Net ASX Receipts and Net ASX Payments across all the Participant's Accounts.

If the net amount calculated in respect of a Participant is positive, that amount is referred to as a **Net Participant ASX Receipt**. If the net amount calculated in respect of a Participant is negative, that amount is referred to as a **Net Participant ASX Payment**.

*[Explanatory Note: the netting which is described under this Paragraph is for calculation purposes only and does not, of itself, alter the payment obligations between the Participants and the ASX CCP.]*

### 3 ASX Payment Shortfall

ASX will calculate the ASX Payment Shortfall. The **ASX Payment Shortfall** for a day (if any) is an amount equal to the greater of zero and:

- (a) the absolute value of the aggregate amount of Net ASX Payments on that day

*minus*

- (b) the sum of:
  - (i) the aggregate amount of Net ASX Receipts on that day; and
  - (ii) the amount of then available Default Resources, if any, which the ASX CCP determines will be used to make Net ASX Payments on that day. This amount is determined by the ASX CCP in its absolute discretion and may be zero, whether or not any Default Resources are available at that time.

### 4 Allocation of ASX Payment Shortfall to reduce Net ASX Payments

On any day, the ASX CCP may choose to allocate the ASX Payment Shortfall for that day to reduce Net ASX Payments payable by it on that day.

The ASX Payment Shortfall will be allocated to those Participants (other than Defaulting Participants) in respect of which a Net Participant ASX Payment has been calculated, pro-rata to the Net Participant ASX Payments with respect to each such Participant.

The amount of the ASX Payment Shortfall which is allocated to a Participant will be allocated to reduce each Net ASX Payment to be made to that Participant on a pro-rata basis. Payment of the reduced amount of a Net ASX Payment by the ASX CCP discharges in full its obligations in respect of that Net ASX Payment.

For the purpose of making these calculations, the ASX CCP may make any currency conversions which it considers necessary, provided that they are made in a commercially reasonable manner.

These Rules do not govern the manner in which a Participant may choose to deal with its Clients in relation any reductions which are attributable to, or made in respect of, Net ASX Payments otherwise to be made to the Participant's Client Account.

### 5 Notification

On any day the ASX CCP may, but is not required to, notify Participants of any reduction it anticipates that it will make. The ASX CCP will notify Participants of any reduction made to Net ASX Payments under this Schedule and any adjustment to the notification, if any, it previously gave Participants in respect of such reductions. However, any failure to provide a notice described in this Paragraph does not affect the reduction or otherwise affect the operation of this Schedule.

### 6 Timing

The ASX CCP will calculate reductions to be made under this Schedule, and effect those reductions, at the time specified in the Recovery Handbook on each day on which the ASX CCP chooses to exercise its rights and powers under this Schedule. If the ASX CCP has not received all of the ASX Receipts which were payable to it on a day by the time that it is to make its anticipated Net ASX Payments (as reduced in accordance with this Schedule) then the ASX CCP is to recalculate the ASX Payment Shortfall, its allocation and the reduced Net ASX Payments based on the

ASX Receipts which it has received at that time. However, the ASX CCP may also calculate, or effect, those reductions or make any Net ASX Payment at any other time during the day, if it considers it necessary to do so.

If it considers it necessary to do so, the ASX CCP can calculate and make reductions under this Schedule by reference to the ASX Payments and the ASX Receipts for a particular settlement cycle which runs during a day rather than by reference to the ASX Payments and the ASX Receipts for the entire day.

## 7 Cumulative calculation

The period which:

- (a) commences from (and includes) the first day in the Default Period on which the ASX CCP reduced a Net ASX Payment; and
- (b) concludes on (and includes) the day that the ASX CCP has determined that it will not make any further reductions to Net ASX Payments under this Schedule in respect of the Default Period,

is referred to as the **Reduction Period**.

On the last day of the Reduction Period, the ASX CCP will calculate, in respect of each Participant (other than any Defaulted Participant):

- (i) the net amount which would have been paid (expressed as a positive amount) or received (expressed as a negative amount) by the Participant during the Reduction Period if Paragraphs 2 (Net ASX Receipts, Net ASX Payments, Net Participant ASX Receipts and Net Participant ASX Payments), 3 (ASX Payment Shortfall) and 4 (Allocation of ASX Payment Shortfall to reduce Net ASX Payments) had been applied to all the Participant's ASX Payments and ASX Receipts during the Reduction Period as if the Reduction Period were a single day. This amount is referred to as the **Expected Amount** for the Participant;
- (ii) the net sum of:
  - (A) amounts paid by the Participant to the ASX CCP (such amounts having a positive value); and
  - (B) amounts paid by the ASX CCP to the Participant (such amounts having a negative value),
 during the Reduction Period. This net sum is referred to as the **Actual Amount**; and
- (iii) the Expected Amount less the Actual Amount. This is referred to as the **Adjustment Amount**.

In respect of each Participant, the Adjustment Amount so determined may be positive (if the Expected Amount exceeds the Actual Amount), negative (if the Actual Amount exceeds the Expected Amount) or zero.

The ASX CCP will notify each Participant of its Expected Amount, Actual Amount and Adjustment Amount.

If the Adjustment Amount is positive then that amount is payable by the Participant to the ASX CCP on the day on which it is notified to the Participant by the ASX CCP. If the Adjustment Amount is negative then the absolute value of that amount is payable by the ASX CCP to the Participant on the day on which it is notified to the Participant by the ASX CCP.

The ASX CCP will account for this amount payable by debiting or crediting the Adjustment Amount to the Participant's relevant Account (including the Client

Account, if applicable). If a Participant does not have sufficient balance in its relevant Account and it fails to immediately pay the deficit to the ASX CCP then that Participant is in Default and the payments of Adjustment Amounts will be suspended (and any such payments made are to be reversed) and the exercise of the rights and powers under this Schedule will continue until the ASX CCP determines once more that it will not make any further reductions to Net ASX Payments under this Schedule in respect of the Default Period.

## **8 No adjustment to amounts payable to the ASX CCP**

Nothing in this Schedule affects any Net ASX Receipt or any other amount which is payable to the ASX CCP by a Participant on any day. All such amounts payable to the ASX CCP must be paid in full in accordance with the ASX CCP Rules.

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## Schedule 3 – Partial Termination

*This Schedule sets out the Partial Termination powers of the ASX CCP. Rule 3.4 (Conditions to Partial Termination) sets out when these powers may be exercised by the ASX CCP.*

### 1 Termination of Contracts

The ASX CCP must determine the Contracts of the Participants which are not Defaulting Participants which are to be terminated in accordance with this Schedule. However, in making this determination, the ASX CCP 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 which of its Contracts is to be terminated but if no such agreement is reached within the timeframe set by the ASX CCP then the ASX CCP is to select that Participant's Contracts on a pro-rata basis across the Participant's Accounts (including its Client Account).

The ASX CCP 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 the ASX CCP 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 (Termination of Contracts), the ASX CCP must calculate a value for those terminated obligations. This value for the terminated obligations under a Contract is referred to as the **Termination Value**.

The ASX CCP 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 the ASX CCP's applicable pricing protocols. However, if the ASX CCP 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 the ASX CCP is to calculate the Termination Value by taking into account:

- (a) the amount of trading losses or costs incurred and trading gains realised by the ASX CCP 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) the ASX CCP'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, the ASX CCP 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 the ASX CCP 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 the ASX CCP 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 the ASX CCP), negative (if it is owing to the Participant by the ASX CCP) or zero. The Termination Value of obligations which cannot be valued by the ASX CCP, and for obligations under Cash CCP Transactions, is to be zero.

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

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

*[Explanatory Note: It is expected that the general principles which inform the provisions of the pricing protocols set out that a final margin settlement cycle will be before partial termination and the Termination Value will be determined with respect to (i) the prices determined through that process or (ii) if that process does not provide a price or is not representative of the market prices, the prices determined by CCP in good faith; or (iii) failing that, last settlement price. With respect to cash equities, it is expected that these will, where possible and to the extent reasonably practicable, be cash-settled.]*

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

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

## **5 Transition to Completion Termination**

If the ASX CCP determines in accordance with Rule 3.5 (Conditions to Complete Termination) that it may exercise the rights and powers set out in Schedule 4 (Complete Termination), then the ASX CCP must terminate all Contracts of all Participants in accordance with Schedule 4 (Complete Termination) and this Schedule 3 will cease to have effect.

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# Schedule 4 – Complete Termination

*This Schedule sets out the Complete Termination powers of the ASX CCP. Rule 3.5 (Conditions to Complete Termination) sets out when these powers may be exercised by the ASX CCP.*

## 1 Termination of Contracts

If the ASX CCP has determined that all Contracts which all Participants have with the ASX CCP are to be terminated then it must notify the Participants of the time at which the termination is to take effect.

The obligations of each of the ASX CCP and the Participant under each of the Contracts are terminated from the time specified in the notice and the registration of the Contracts is to be cancelled.

## 2 Termination Value

Following the termination of the obligations under the Contracts in accordance with Paragraph 1 (Termination of Contracts), the ASX CCP must calculate a value for those terminated obligations. This value for the terminated obligations under a Contract is referred to as the **Termination Value**.

The ASX CCP 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 the ASX CCP's applicable pricing protocols. However, if the ASX CCP 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 the ASX CCP is to calculate the Termination Value by taking into account:

- (a) the amount of trading losses or costs incurred and trading gains realised by the ASX CCP 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) the ASX CCP'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, the ASX CCP 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 the ASX CCP 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 the ASX CCP 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 the ASX CCP), negative (if it is owing to the Participant by the ASX CCP) or zero. The Termination Value of obligations which cannot be valued by the ASX CCP, and for obligations under Cash CCP Transactions, is to be zero.

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

The ASX CCP and each Participant acknowledge that each Termination Value is a genuine pre-estimate of the loss or damages which the Participant or the ASX CCP 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 the ASX CCP 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 the ASX CCP on the day on which it is notified to the Participant by the ASX CCP. If the Net Termination Value is negative then the absolute value of that amount is payable by the ASX CCP to the Participant on the day on which it is notified to the Participant by the ASX CCP.

The ASX CCP will account for this payment by debiting or crediting the Net Termination Value to the Participant's relevant Account.

### 5 Calculation of Complete Termination Payment and Net Termination Value Shortfall

The ASX CCP will calculate:

- (a) in respect of each Participant, the net amount of Net Termination Values across all the Participant's Accounts. If the net amount calculated in respect of a Participant is positive, that amount is referred to as a **Complete Termination Receipt**. If the net amount calculated in respect of a Participant is negative, that amount is referred to as a **Complete Termination Payment**; and

- (b) the Net Termination Value Shortfall. The **Net Termination Value Shortfall** (if any) is an amount equal to the greater of zero and:

- (i) the absolute value of the aggregate amount of Net Termination Values payable by the ASX CCP under this Schedule

*minus*

- (b) the sum of:

- (i) the aggregate amount of amounts paid to the ASX CCP with respect to the termination of Contracts conducted in accordance with this Schedule 4; and
    - (ii) the amount of then available Default Resources (if any).

*[Explanatory Note: the netting which is described under this Paragraph is for calculation purposes only and does not, of itself, alter the payment obligations between the Participants and the ASX CCP.]*

## **6 Reductions to Net Termination Values**

If there is a Net Termination Value Shortfall:

- (a) the ASX CCP will allocate the Net Termination Value Shortfall to reduce Net Termination Values payable by it;
- (b) the Net Termination Value Shortfall will be allocated to those Participants in respect of which a Complete Termination Payment has been calculated, pro-rata to the Complete Termination Payments with respect to each such Participant; and
- (c) the amount of the Net Termination Value Shortfall which is allocated a Participant will be allocated to reduce each Net Termination Value to be made to that Participant on a pro-rata basis.

Payment of the reduced amount of a Net Termination Value by the ASX CCP discharges in full its obligations in respect of that Net Termination Value.

## Schedule 5 – Replenishment

*This Schedule sets out the Replenishment powers of the ASX CCP. Rule 3.6 (Conditions to Replenishment) sets out when these powers may be exercised by the ASX CCP.*

### 1 Utilised Participant Commitment and Utilised ASX CCP Commitment

At or after the end of a Default Period (but before another Default Period commences), the ASX CCP is to calculate each of the following:

- (a) the aggregate amount of the Committed ASX Assets which was applied to meet the ASX CCP Loss in accordance with the Default Waterfall during the previous Default Period. This is referred to as the **Utilised ASX CCP Commitment**; and
- (b) the aggregate amount of Participant Commitment which was applied to meet the ASX CCP Loss in accordance with the Default Waterfall during the previous Default Period. This is referred to as the **Utilised Participant Commitment**.

The sum of the Utilised ASX CCP Commitment and the Utilised Participant Commitment is the **Utilised Waterfall Amount**. The ASX CCP is to notify Participants of the results of these calculations. However, any failure to provide such a notice does not affect the validity of the results or the actions taken by the ASX CCP.

### 2 Remaining Waterfall Amount, ASX CCP Regulatory Requirement and Replacement Default Fund Size

After it calculates the Utilised Participant Commitment and the Utilised ASX CCP Commitment, the ASX CCP is to calculate each of the following:

- (a) the amount of the Default Fund (if any) still available in accordance with the Default Waterfall to meet ASX CCP Loss in respect of future Default Periods. This is referred to as the **Remaining Waterfall Amount**; and
- (b) the minimum amount which the ASX CCP determines is required to be added to the Remaining Waterfall Amount for the ASX CCP to satisfy the regulatory requirements applicable to it. This amount is referred to as the **ASX CCP Regulatory Requirement**; and
- (c) if the Remaining Waterfall Amount is zero, the amount which the ASX CCP determines is to be the size of the new Default Fund (referred to as the **Replacement Default Fund Size**). This amount is to be no more than:
  - (i) if the ASX CCP is ASX Clear, \$150 million; and
  - (ii) if the ASX CCP is ASX Clear (Futures), \$400 million.

The ASX CCP is to notify Participants of the results of these calculations. However, any failure to provide such a notice does not affect the validity of the results or the actions taken by the ASX CCP.

### 3 ASX CCP Commitment Amount

After it calculates the Remaining Waterfall Amount, the ASX CCP Regulatory Requirement and (if the Remaining Waterfall Amount is zero) the Replacement Default Fund Size, the ASX CCP is to calculate the amount of further assets which the ASX CCP is to commit to meet any ASX CCP Loss which may arise in respect

of future Default Periods in accordance with the Default Waterfall. This amount is referred to as the **ASX CCP Commitment Amount**.

The ASX CCP Commitment Amount is to be:

- (a) if the Remaining Waterfall Amount is zero, one-half of the Replacement Default Fund Size; and
- (b) if the Remaining Waterfall Amount is more than zero, the lesser of the amount of Utilised ASX CCP Commitment and
  - (i) if the ASX CCP is ASX Clear, \$75 million; or
  - (ii) if the ASX CCP is ASX Clear (Futures), \$200 million.

The ASX CCP is to commit the ASX CCP Commitment Amount to meet any ASX CCP Loss which may arise in respect to future Default Periods in accordance with the Default Waterfall, without limiting the application of any portion of the Remaining Waterfall Amount which is comprised of the Committed ASX Assets.

#### 4 **Total Participant Replenishment Amount**

In connection with its calculation of the ASX CCP Commitment Amount, the ASX CCP is to calculate the amount which Participants are to be required to provide to meet ASX CCP Loss in respect of future Default Periods in accordance with the Default Waterfall. This amount is referred to as the **Total Participant Replenishment Amount**.

The Total Participant Replenishment Amount is to be:

- (a) if the Remaining Waterfall Amount is zero, one-half of the Replacement Default Fund Size; and
- (b) if the Remaining Waterfall Amount is more than zero, the lesser of:
  - (i) if the ASX CCP is ASX Clear, the lesser of:
    - (A) \$75 million; and
    - (B) the Utilised Waterfall Amount minus \$75 million (subject to a minimum of zero); and
    - (C) amount of the excess (if any) of the ASX CCP Regulatory Requirement over the ASX CCP Commitment Amount; or
  - (ii) if the ASX CCP is ASX Clear (Futures), the lesser of:
    - (A) \$200 million; and
    - (B) the amount of Utilised Participant Commitment.

#### 5 **Participant Replenishment Amount and Maximum Replenishment Amount**

If the ASX CCP calculates a Total Participant Replenishment Amount which is greater than zero then it must calculate the **Maximum Replenishment Amount** for each Participant (excluding Defaulting Participants from the calculation). This is equal to:

- (a) if the ASX CCP is ASX Clear, the maximum aggregate amount of Recovery Assessments which could have been called from the Participant during the immediately preceding Default Period; and
- (b) if the ASX CCP is ASX Clear (Futures), twice the amount of the Participant Commitment of the Participant at the commencement of the immediately preceding Default Period.

The ASX CCP must allocate the Total Participant Replenishment Amount between each Participant (excluding Defaulting Participants) so that the relative proportions between the Participants of the amount so allocated is equal to the relative proportions amongst them of their Maximum Replenishment Amounts. The amount so allocated to a Participant is the **Participant Replenishment Amount**.

## **6 Call for Participant Replenishment Amount**

The ASX CCP may make a call for each Participant to pay its Participant Replenishment Amount to the ASX CCP by notifying the Participant of the Participant Replenishment Amount which is to be paid. The notice must specify the time within which each Participant must pay the Participant Replenishment Amount, provided that the time must be no sooner than 24 hours after the time at which the notice is given to the Participant. A Participant Replenishment Amount called in accordance with this Schedule is a debt due and payable to the ASX CCP by the relevant Participant.

Each Participant Replenishment Amount must be paid by the time it is due, in cash, in immediately available funds.

A call for the payment of a Participant Replenishment Amount may only be made at or after the end of a Default Period. Once the ASX CCP makes a call for the Participant Replenishment Amount from a Participant, it may not make a call for the payment of another Participant Replenishment Amount from the Participant under this Schedule until the next Default Period ends. This does not limit Paragraph 9 (Scaling to meet regulatory requirements) of this Schedule or the future obligations to provide Participant Commitment in accordance with the ASX CCP Rules.

## **7 Treatment of Participant Replenishment Amounts**

A Participant Replenishment Amount paid by a Participant to the ASX CCP is:

- (a) the absolute and beneficial property of the ASX CCP; and
- (b) to be treated as the provision of Participant Commitment by that Participant for the purpose of the ASX CCP Rules, including for the purpose of absorbing any ASX CCP Loss which may arise in respect of future Default Periods in accordance with the Default Waterfall (in addition to any portion of the Remaining Waterfall Amount which is referable to the Participant); and
- (c) not available to meet any ASX CCP Loss which arose during a previous Default Period.

## **8 Future application of Default Waterfall**

The Default Waterfall is to continue to apply with respect to any ASX CCP Loss which may arise in respect of future Default Periods after any ASX CCP Commitment Amounts are committed and any Participant Replenishment Amounts are paid to the ASX CCP.

However, the Default Waterfall which allocates ASX CCP Losses that may arise in respect of future Default Periods will be taken to be varied so that the allocation of ASX CCP Losses that may arise in respect of future Default Periods which exceed Defaulted Participant Assets will be as follows:

- (a) if the Remaining Waterfall Amount is zero and:
  - (i) if the ASX CCP is ASX Clear:
    - (A) *firstly*, to Committed ASX Assets, up to an amount equal to the Replacement Default Fund Size divided by two; and

- (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to an amount equal to the Replacement Default Fund Size divided by two; and
- (ii) if the ASX CCP is ASX Clear (Futures):
  - (A) *firstly*, to Committed ASX Assets, up to \$120 million;
  - (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million;
  - (C) *thirdly*, to Committed ASX Assets, up to \$80 million; and
  - (D) *fourthly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million,

provided that where the Replacement Default Fund Size is less than \$400 million, the new amounts specified above are to be reduced on a pro-rata basis (by multiplying each such amount by the fraction equal to the Replacement Default Fund Size divided by \$400 million).
- (b) if the Remaining Waterfall Amount is greater than zero and:
  - (i) if the ASX CCP is ASX Clear:
    - (A) *firstly*, to Committed ASX Assets, up to \$75 million;
    - (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$75 million; and
    - (C) *thirdly*, to Committed ASX Assets, up to the amount of Committed ASX Assets which form part of the Remaining Waterfall Amount (if any); and
  - (ii) if the ASX CCP is ASX Clear (Futures):
    - (A) *firstly*, to Committed ASX Assets, up to \$120 million; and
    - (B) *secondly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million;
    - (C) *thirdly*, to Committed ASX Assets, up to the sum of:
      - (I) \$80 million; and
      - (II) the lesser of: (x) \$70 million and (y) the amount of Committed ASX Assets which forms part of the Remaining Waterfall Amount *minus* \$180 million (if any);
    - (D) *fourthly*, to the Participant Commitment of Participants other than a Defaulting Participant, up to \$100 million; and
    - (E) *fifthly*, to Committed ASX Assets, up to an amount equal to the lesser of:
      - (I) \$180 million; and
      - (II) the amount of remaining Committed ASX Assets which form part of the Remaining Waterfall Amount (if any).

This Paragraph 8 does not limit the application of Paragraph 9 (Scaling to meet regulatory requirements) of this Schedule or the future obligations to provide Participant Commitment in accordance with the ASX CCP Rules.

*[Explanatory note: This Paragraph does not of itself affect:*

- (a) *the calculation of, or obligation to provide, an ASX CCP Commitment Amount;*

- (b) *the calculation of the Participant Commitment of a Participant;*
- (c) *the obligation of a Participant to provide a Participant Replenishment Amount;*
- (d) *if the ASX CCP is ASX Clear (Futures), the allocation to ASX CCP Losses to the Participant Commitment of Futures Participants and OTC Participants in accordance with the Default Waterfall.]*

## 9 Scaling to meet regulatory requirements

If the ASX CCP determines that the Default Fund should be increased to comply with an ASX CCP Regulatory Requirement then the ASX CCP will calculate the amount by which the Default Fund needs to be increased (such increase is referred to as the **Default Fund Increase**), in consultation with the Risk Committee. However, the Default Fund Increase cannot result in the size of the Default Fund being greater than:

- (a) if the ASX CCP is ASX Clear, \$250 million; or
- (b) if the ASX CCP is ASX Clear (Futures), \$650 million.

The ASX CCP will notify Participants of the Default Fund Increase at least 45 days before the date on which payment is due of any adjusted Participant Commitment in respect of the quarterly calculation of Participant Commitments in accordance with the ASX CCP Rules (referred to as the **Quarterly Contribution Date**). Any failure to provide this notice does not affect the validity of the results or the actions taken by the ASX CCP.

The quarterly calculations of Participant Commitment will take into account the inclusion of one half of the Default Fund Increase. The amount of the increase in a Participant's Participant Commitment which results from this inclusion (referred to as the Participant's **Additional Participant Commitment**) is to be calculated by the ASX CCP and paid by the Participant on the Quarterly Contribution Date in the same manner as any other Participant Commitment which would otherwise be due on that date. The increase in the Default Fund will take effect on the Quarterly Contribution Date to the extent the Additional Participant Commitments have been received by the ASX CCP.

Following the payment of the Additional Participant Commitment to it, the ASX CCP is to:

- (i) commit an additional amount which is equal to the aggregate Additional Participant Commitments of all Participants which were received by it in order to meet any ASX CCP Loss which may arise in respect to future Default Periods in accordance with the Default Waterfall (this amount committed by the ASX CCP is referred to as the **Additional ASX CCP Commitment**); and
- (ii) vary the Default Waterfall so that the aggregate Additional Participant Commitment of all Participants and the Additional ASX CCP Commitment are available to meet any ASX CCP Loss which may arise in respect to future Default Periods on a pari passu basis with each other (without regard to whether the Clearing Participant in Default is a Futures Participant or an OTC Participant if the ASX CCP is ASX Clear (Futures)) and only after all other Participant Commitment and all Committed ASX Assets have been applied in accordance with the Default Waterfall (except in the case of the Additional Participant Commitment of a Defaulting Participant, which is to be applied at the same time as any other Participant Commitment of that Defaulting Participant).