

## SCHEDULE 7 PARTIAL TERMINATION

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## SCHEDULE 7 – PARTIAL TERMINATION

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

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

### 1 TERMINATION OF CONTRACTS

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

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

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

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

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

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

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

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

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

### 2 TERMINATION VALUE

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

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

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

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

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

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

### **3 NET TERMINATION VALUE**

Following the calculation of the Termination Values with respect to the Contracts of a Participant which have been terminated in accordance with this Schedule, the Termination Values with respect to Contracts held in the same Account will be netted, producing a single net amount payable between ASX Clear and the Participant with respect to that Account. This amount is referred to as the Net Termination Value.

#### **4 PAYMENT OF NET TERMINATION VALUE**

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

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

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

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