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**Taiwan Futures Exchange**  
**OTC Derivatives Clearing Member Manual**

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## Contents

<b>Foreword</b>	<b>- 1 -</b>
<b>Chapter 1 OTC clearing process planning</b>	<b>- 1 -</b>
Section 1 Clearing service content	- 1 -
Section 2 Request for Consent	- 2 -
Section 3 Application schedule	- 3 -
<b>Chapter 2 Clearing membership qualifications and application process</b>	<b>- 4 -</b>
Section 1 Criteria of clearing membership	- 4 -
Section 2 Clearing membership application process	- 9 -
<b>Chapter 3 Legal Contract</b>	<b>- 14 -</b>
<b>Chapter 4 Recommended IT specifications and related functions</b>	<b>- 17 -</b>
Section 1 IT system architecture	- 17 -
Section 2 User-end network architecture	- 18 -
Section 3 Telecom company network plans and rates	- 19 -
Section 4 Connection application procedure for clearing members	- 21 -
Section 5 Login method for the Web Portal	- 22 -
Section 6 Web portal functions	- 27 -
Section 7 SFTP connection settings	- 30 -
Section 8 Client trade limit management	- 32 -
Section 9 Client API AMQP Connection Setting	- 34 -
<b>Chapter 5 Attachment(s)</b>	<b>- 35 -</b>
[Attachment 1] OTC Clearing Membership Application Form	- 36 -
[Attachment 2] Format and template of the business plan	- 43 -
[Attachment 3] Declaration of non-violation of any disqualification for the applicant of the clearing member	- 45 -
[Attachment 4] Commitment letter	- 48 -
[Attachment 5] Guarantee letter	- 51 -
[Attachment 6] Over-the-Counter Derivatives Clearing Agreement	- 53 -



[Attachment 7] Signature card for OTC clearing and Statement affixed with the seal ... - 64 -

[Attachment 8] OTC Derivatives Clearing Connection Agreement..... - 66 -

[Attachment 9] Declaration stating completeness of tests conducted with TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform ..... - 70 -

[Attachment 10] Accounting example for OTC derivatives clearing operations ..... - 72 -

## Foreword

Taiwan Futures Exchange Corporation (hereinafter referred to as TAIFEX) was designated as the OTC derivatives central clearing counterparty (CCP) in Taiwan by the Competent Authority in the letter Financial-Supervisory-Securities-Futures No. 1080315266 dated June 24, 2019.

This manual was stipulated to act as reference for the application to become a TAIFEX OTC derivatives clearing operations (hereinafter referred to as OTC clearing) clearing member by financial institutions. The manual describes the TAIFEX OTC clearing service content, Request For Consent, application schedule, clearing membership qualifications, clearing membership application procedures, legal contract, IT system framework, user-end network architecture, telecommunications company network plans and rates, clearing member connection application procedures, Web Portal connection login method, Web Portal functions, and SFTP connection application process.

## Chapter 1 OTC clearing process planning

### Section 1 Clearing service content

TAIFEX has planned to provide OTC clearing service content in different phases, and the details are as follows:

- (1) Phase 1: TAIFEX has provided clearing members with dealer to dealer voluntary clearing for TWD interest rate swaps (IRS) since July 25, 2022.
- (2) Phase 2: TAIFEX expects to provide client clearing for TWD interest rate swaps (IRS) and TWD non-delivery forward (NDF) by July, 2023.

## Section 2 Request for Consent

In response to the new service of client clearing in the second phase, the system has added functions such as Request For Consent (hereinafter referred to as RFC) which that General Clearing Members review transactions submitted by their client so that they can check whether their client meets the water levels of prepaid margin and client margin. At present, TAIFEX expects to provide three RFC functions, and General Clearing Members can choose which function to use according to their needs.

(1) Client API:

General Clearing Members can develop a program for receiving and replying to Client API messages. Then use the program to automatically check the content of the transaction submitted by their client, the client margin and risk assessment, and automatically reply to TAIFEX whether to accept the transaction according to the review result.

(2) Pre-Authorization Automatic RFC:

General Clearing Members agree to authorize TAIFEX to adopt automatic RFC, and pre-set risk parameters such as available limits, as a RFC check condition for new transaction, on the Web Portal.

(3) Manual RFC:

After receiving the transaction submitted by the General Clearing Members' client, TAIFEX will notify the General Clearing Members, and they shall choose to accept or

reject the transaction according to their trial calculation of the client margin conducting on the Web Portal.

### Section 3 Application schedule

Financial institutions planning to apply for TAIFEX OTC clearing membership shall refer to the following figures when formulating the application schedule, figure 1 and figure 2 are the estimated time schedules of Individual Clearing Member and General Clearing Member, respectively:

Figure 1: Individual Clearing Member

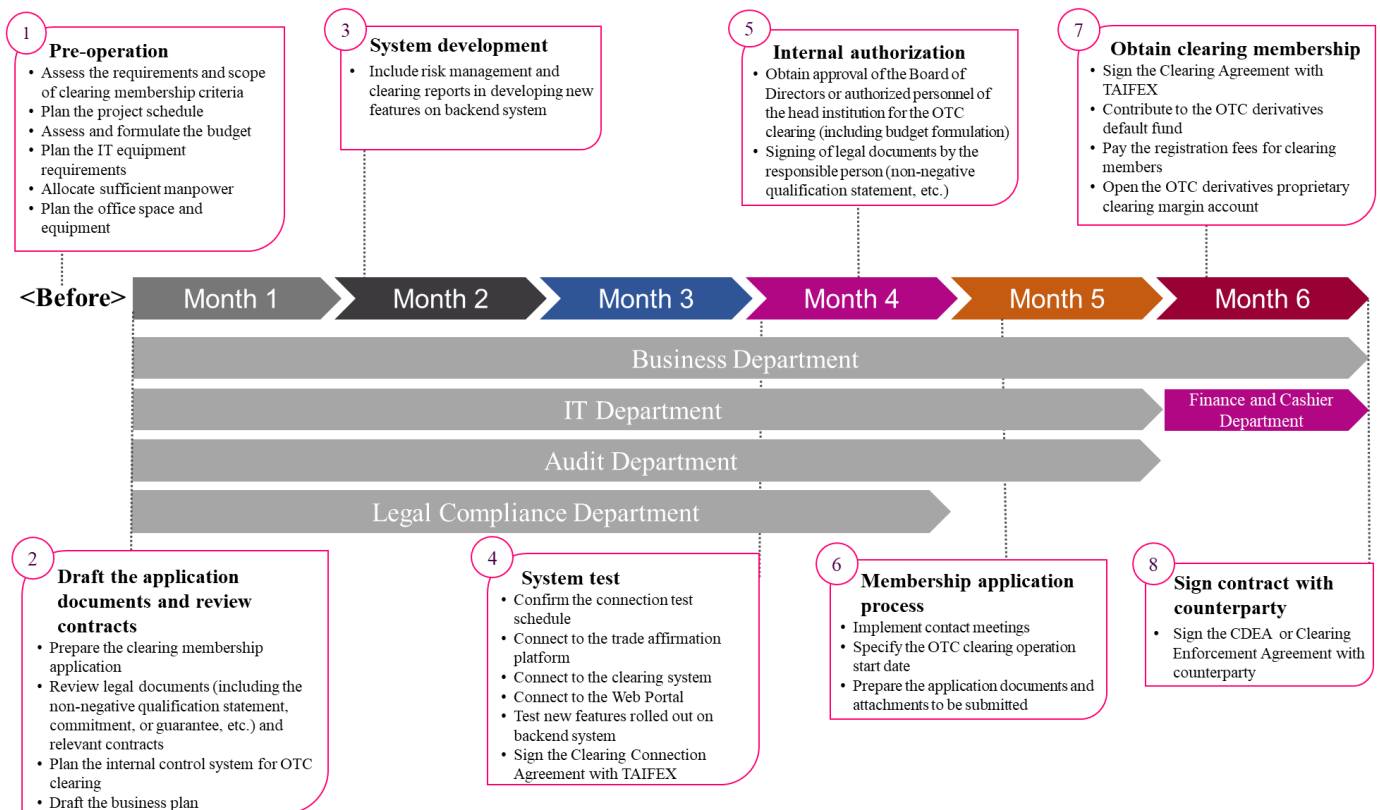
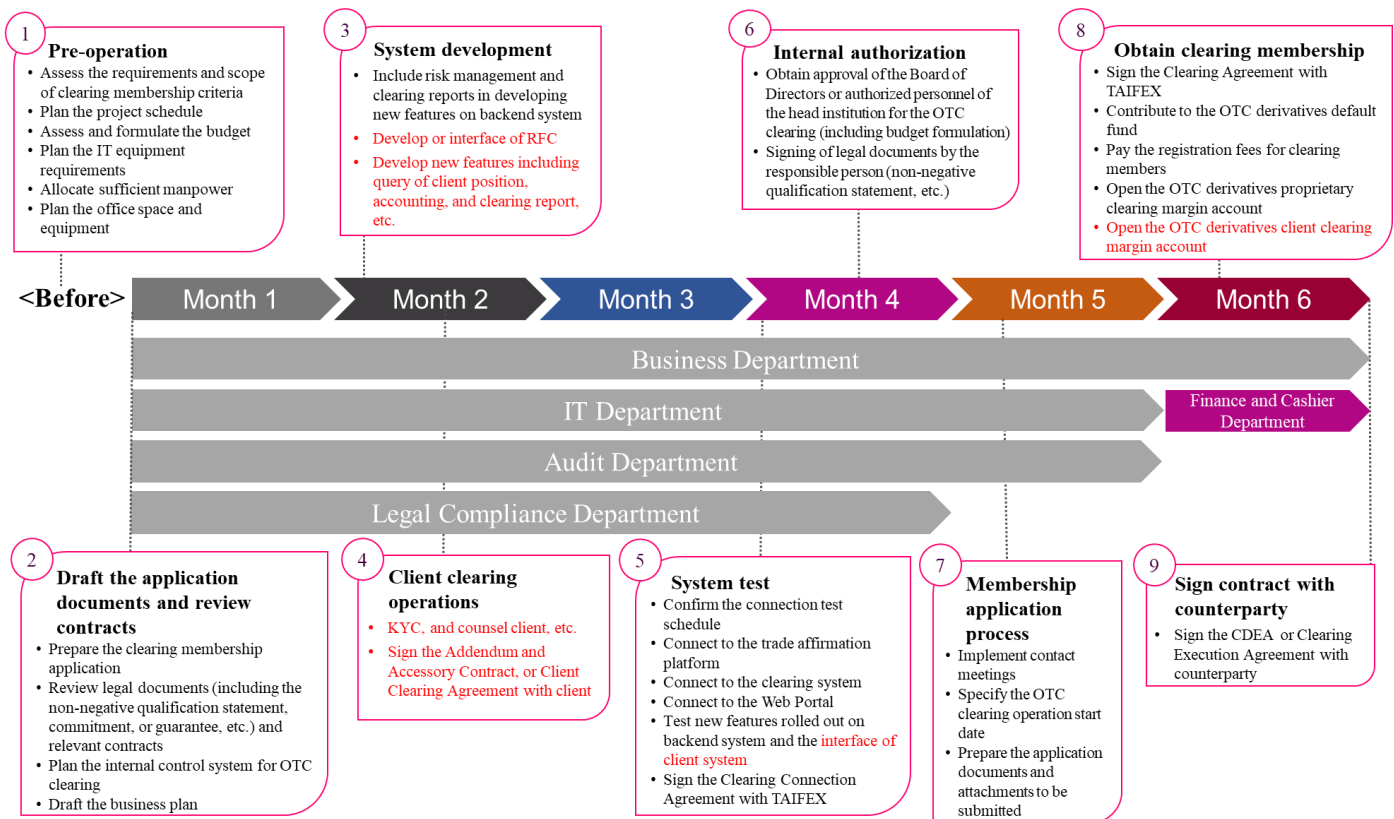


Figure2: General Clearing Member



## Chapter 2 Clearing membership qualifications and application process

### Section 1 Criteria of clearing membership

TAIFEX OTC derivatives clearing members will be divided into Individual Clearing Members and General Clearing Members according to their business scope. Regarding the clearing membership qualifications stated in the OTC Derivative Clearing Enforcement Rules (hereinafter referred to as OTC Enforcement Rules), including clearing member financial conditions, contributions to the OTC derivatives default fund, manpower, and sites and equipment, the details are as follows:

	<b>Individual Clearing Member</b>	<b>General Clearing Member</b>
<b>Identity qualifications</b>	Companies approved by the Competent Authority to engage in derivatives trading or handle derivatives operations, and have obtained TAIFEX clearing membership qualifications.	
<b>Business Scope</b>	Handle clearing operations of proprietary OTC derivatives	Handle clearing operations of proprietary and client OTC derivatives
<b>Minimum paid-in capital requirement</b>	<p>NT\$2 billion</p> <p>However, if the minimum paid-in capital of the company is less than NT\$2 billion, its foreign head office, financial holding company, or foreign financial holding company or controlling company may issue a guarantee or commitment letter to perform the clearing obligations and related responsibilities, and apply for membership from TAIFEX.</p>	NT\$8 billion
<b>Financial structure requirements</b>	<p>(1) Banks: Its Capital Adequacy Ratio shall not be less than 10.5%.</p> <p>(2) Insurance enterprise: Its Risk Based Capital adequacy Ratio shall equal or exceed 200% and the Net Worth Ratio shall not be lower than 3%.</p> <p>(3) Securities firms: Its Regulatory Capital Adequacy Ratio shall equal or exceed 200%.</p> <p>(4) Bills finance company: Its Capital Adequacy Ratio shall not be less</p>	<p>(1) Banks: Its Capital Adequacy Ratio shall not be less than 10.5%.</p> <p>(2) Securities firms: Its Regulatory Capital Adequacy Ratio shall equal or exceed 200%.</p> <p>(3) Futures commission merchant that concurrently operates as a leverage transaction merchant: The adjusted net capital shall not be less than 30% of the total amount of</p>





	<b>Individual Clearing Member</b>	<b>General Clearing Member</b>
	<p>than 8%.</p> <p>(5) Futures commission merchant that concurrently operates as a leverage transaction merchant: The adjusted net capital shall not be less than 30% of the total amount of customer margins required for the open positions of futures traders.</p> <p>(6) A subsidiary according to the Financial Holding Company Act: The capital adequacy ratio of such a group capital adequacy ratio calculated and reported by a financial holding company or foreign financial holding company shall not be lower than 100%.</p> <p>(7) Subordinate company according to the Company Act: The financial structure of such controlling company shall meet the provisions of Items 1 to 5 of this subparagraph according to the type of business to which it is attributed.</p> <p>(8) A branch established</p>	<p>customer margins required for the open positions of futures traders.</p>

	<b>Individual Clearing Member</b>	<b>General Clearing Member</b>
	<p>within the territory of the R.O.C. by a foreign financial institution according to the law:</p> <p>The financial structure of the head office shall meet the provisions of Items 1 to 5 of this subparagraph according to the type of business to which it is attributed.</p>	
<b>OTC derivatives default fund</b>	<p>(1) Clearing members are required to contribute to TAIFEX the OTC derivatives default fund of NTD 20 million prior to engaging in clearing operations of OTC derivatives.</p> <p>(2) Clearing members are required to contribute to the OTC derivatives default fund based on the amount computed by TAIFEX subsequent to engaging in clearing operations of OTC derivatives.</p>	<p>(1) Clearing members are required to contribute to TAIFEX the OTC derivatives default fund of NTD 30 million prior to engaging in clearing operations of OTC derivatives.</p> <p>(2) Clearing members are required to contribute to the default fund based on the amount computed by TAIFEX subsequent to engaging in clearing operations of OTC derivatives.</p>

	<b>Individual Clearing Member</b>	<b>General Clearing Member</b>
<b>Supervisor and personnel conducting clearing operations</b>	<ul style="list-style-type: none"> <li>(1) Appoint a supervisor to handle the clearing operation.</li> <li>(2) Suitable and competent professionals shall be appointed to handle clearing operations.</li> <li>(3) Personnel conducting the collection and payment of Margin and Settlement Amount, cashiers and accountants shall not concurrently serve one another's positions.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Appoint a supervisor to handle the clearing operation.</li> <li>(2) Suitable and competent professionals shall be appointed to handle clearing operations.</li> <li>(3) Personnel conducting the collection and payment of Margin and Settlement Amount, cashiers and accountants shall not concurrently serve one another's positions.</li> <li>(4) Appoint competent specialists to engage in client clearing operations.</li> </ul>
<b>Other requirements</b>	<ul style="list-style-type: none"> <li>(1) Issue a non-negative qualifications statement for the applicant of the clearing member</li> <li>(2) Establish an OTC clearing internal control system pursuant to the rules and regulations of clearing operations prescribed by the Competent Authority and TAIFEX.</li> <li>(3) Complete connection tests between TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform.</li> </ul>	

## Section 2 Clearing membership application process



### A. Prepare related documents and submit the application

Those who intend to apply for TAIFEX OTC clearing membership shall prepare the documents and submit the application to TAIFEX 20 business days before the planned start date for OTC clearing operations, and the start date shall be specified. After receiving the application, TAIFEX will review the following documents:

#### Application documents

- (1) An application for clearing membership (refer to attachment 1)
- (2) Document evidencing company registration
- (3) Documents evidencing permission by the Competent Authority to engage in derivatives trading or handle derivatives operations

<b>Business documents</b>	<ul style="list-style-type: none"> <li>(1) Business plan (refer to attachment 2 for the outline)</li> <li>(2) The company's internal control system</li> <li>(3) A list of directors and board meeting minutes, or a letter of consent signed by an officer authorized by the head office in the case of the branch of a foreign bank in Taiwan</li> <li>(4) A list of supervisors in charge of clearing operations of OTC derivatives and specialists conducting clearing operations</li> </ul>
<b>Financial documents</b>	<ul style="list-style-type: none"> <li>(1) The financial report audited and attested by CPAs for the latest fiscal year or the most recent period</li> <li>(2) Disclosure document for the latest capital adequacy or equivalent documentation</li> </ul>
<b>Legal documents</b>	<ul style="list-style-type: none"> <li>(1) Declaration of non-violation of any disqualification (refer to attachment 3)</li> <li>(2) Commitment letter<sup>1</sup> (refer to attachment 4) or guarantee letter (refer to attachment 5)<sup>2</sup></li> <li>(3) Declaration stating completeness of tests conducted with TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform (refer to attachment 9)</li> </ul>

## B. Application document review

- (1) After TAIFEX accepts the OTC clearing member

<sup>1</sup> The clearing membership applicant shall provide a commitment letter:

(1) To handle proprietary clearing operations, before submitting the trade contract to the head institution or its other branches for the first time, a commitment letter shall be issued by the head institution.

(2) The head institution shall issue a commitment letter for Individual Clearing Member applicants whose minimum paid-in capital does not meet the requirement of NT\$2 billion.

<sup>2</sup> The clearing membership applicant shall provide a guarantee letter:

If the minimum paid-in capital of the Individual Clearing Member is less than NT\$2 billion, its financial holding company, foreign financial holding company or controlling company shall issue a guarantee letter.

application, the application documents submitted by the applicant will be reviewed. The applicant will be asked to provide related information if necessary.

- (2) If the application documents submitted by the applicant are incomplete or have insufficient information and so TAIFEX schedules a deadline for modification, but such company fails to complete the modification before the deadline, TAIFEX may reject such an application.

### **C. Deliver review result**

After the application documents have been approved by TAIFEX, the applicant will be notified in writing and requested to complete the required matters before starting the clearing business.

### **D. Obtain clearing membership**

Before the applicant starts the clearing business, the following matters shall be completed:

- (1) Sign the Over-the-Counter Derivatives Clearing Agreement (hereinafter referred to as Clearing Agreement) with TAIFEX and stamp with signature.
- (2) Contribute to the OTC derivatives default fund.
- (3) Pay the registration fees for clearing members <sup>3</sup> (NT\$300,000<sup>4</sup>).
- (4) Obtain the original and duplicate of an agreement for "OTC derivatives proprietary clearing margin account" or "OTC derivatives client clearing margin account" opened at the clearing bank, and reports to TAIFEX of such OTC

<sup>3</sup> The registration fees for clearing members is an one-time fee.

<sup>4</sup> NT\$200,000 for applicants who are shareholders of TAIFEX at the time of clearing contract signing.

derivatives clearing margin accounts.

When the applicant completes the aforementioned matters, the following documents shall be submitted to TAIFEX.

<b>Legal documents</b>	(1)	Clearing Agreement stamped with signature (refer to attachment 6)
<b>Clearing operations</b>	(1)	Signature card (refer to attachment 7)
	(2)	Proof of remittance to the OTC derivatives default fund
	(3)	Proof of remittance of the registration fees for clearing members
	(4)	Other documents as required by TAIFEX

Applicants may directly contact the following settlement bank counters to handle related matters such as the opening of a special account for clearing margins.

Number	Settlement bank name (Account branch of the company)	Type of clearing margin account opened	The company account branch contact	Contract contact channel
1	First Commercial Bank Guting Branch	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	2369-5222#207 Ms. Liao	02-2348-1835 Business Operations Division Zheng-Chang Xue
2	Hua Nan Commercial Bank Nanmen Branch	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	2321-7111#123 Ms. Fang	23217111#169 Vice President Yi-Hua Wu

3	Chang Hwa Bank Headquarters branch	Taiwan dollar US dollar Book-entry central government bonds	2551-4256 #1024Yi-Qiao Chen (domestic and foreign currencies) #1652 Ms. Liu (government bond)	2536-2951#2177 Product Planning Division Bo-Jun Shih
4	Cathay United Bank Taipei Main Station Branch	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	2312-5555 #1013Ms. Ji (domestic and foreign currencies) #1113 Mr. Chen (government bonds)	2571-0168 #1655 Specialist Qi- Zhang Zhan #1658 Manager Zi-Yu Lin
5	Mega International Commercial Bank Foreign Department	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	2563-3156 #2432Ms. Lin (domestic and foreign currencies) #2834 Ms. Chen (government bond)	2563-3156 #2386 Section Chief Xiu-Xia Lee

TAIFEX will review the clearing member application for compliance with relevant regulations and will return the Clearing Agreement affixed with the TAIFEX signature to the applicant. The Clearing Agreement signed by the applicant and TAIFEX, applicant clearing operation start date, and related information will be reported to the Competent Authority in writing.

#### **E. Official start to conduct OTC derivatives clearing business**

The clearing member applicant shall receive TAIFEX clearing membership on the specified official start date, to officially begin the OTC clearing operations.

If you have any problems related to the clearing membership application process, please contact the Clearing Department of TAIFEX:

Ms. Chen

(02) 2366-3187

Ms. Chang

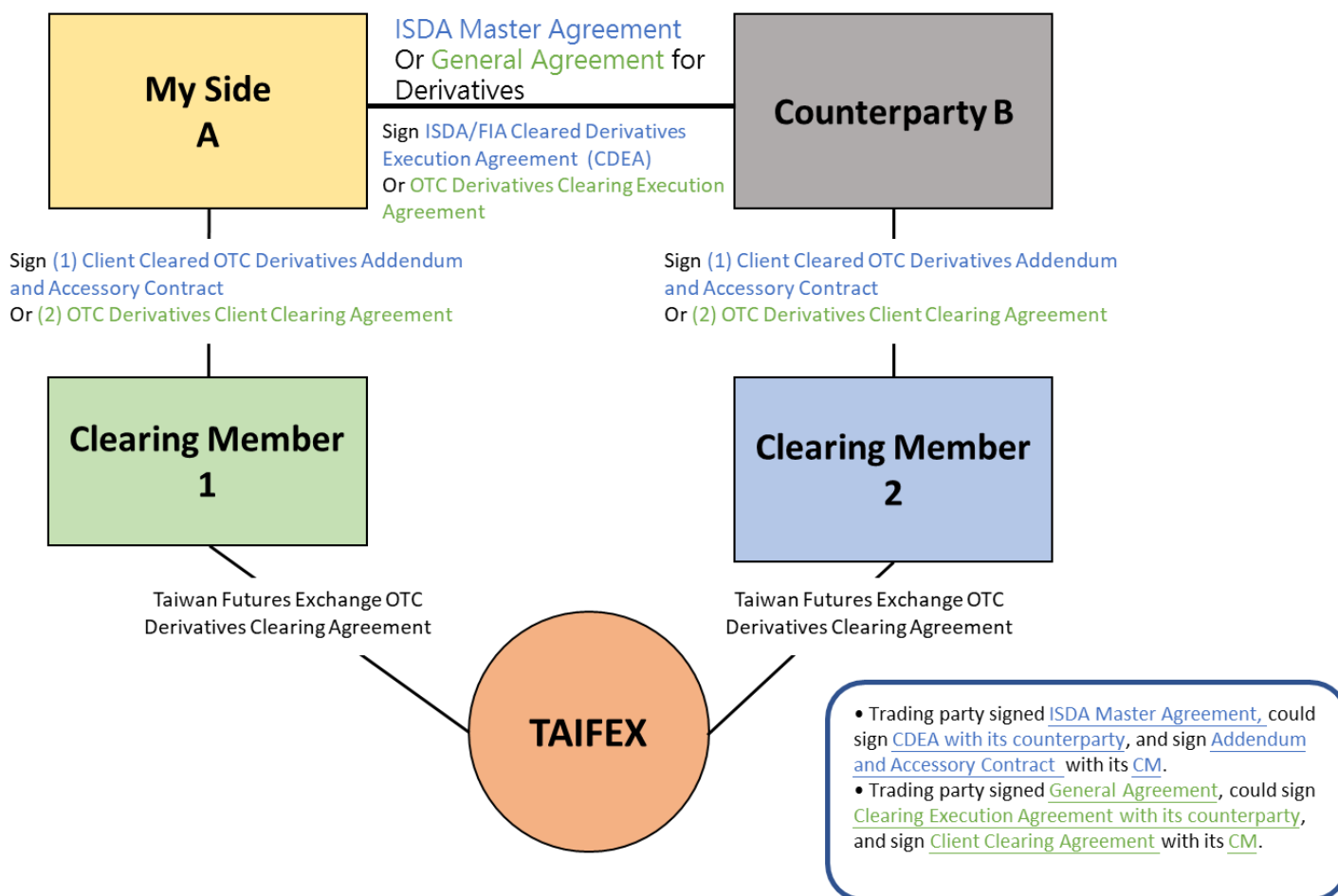
(02) 2366-3102

Mr. Wang

(02) 2366-3174



## Chapter 3 Legal Contract



Since the transaction is submitted to clearing by CCP, each clearing member shall sign the Over-the-Counter Derivatives Clearing Agreement (hereinafter referred to as Clearing Agreement) with TAIFEX before starting the clearing business. At the same time, TAIFEX recommends that the original counterparties in each bilateral transaction and their General Clearing Members shall sign relevant legal documents to clearly define the relevant rights, obligations and norms.

### A. To submit the bilateral transaction to CCP by original counterparties

- (1) If the original counterparties in the bilateral transaction signed the ISDA Master Agreement:

The original counterparties could sign the ‘ISDA/FIA Cleared Derivatives Execution Agreement’ (hereinafter referred to as CDEA) with each other, in order to agree to submit the transaction for clearing by CCP and specify the relevant rights, obligations and norms.

- (2) If the original counterparties in the bilateral transaction signed the General Agreement:

The original counterparties could sign the ‘OTC Derivatives Clearing Execution Agreement’ (hereinafter referred to as Clearing Execution Agreement) with each other, in order to agree to submit the transaction for clearing by CCP and specify the relevant rights, obligations and norms.

#### **B. To conduct client clearing by General Clearing Member**

- (1) If the original counterparties in the bilateral transaction signed the ISDA Master Agreement:

The General Clearing Member should sign the ‘ISDA/FIA Client Cleared OTC Derivatives Addendum’ (hereinafter referred to as Addendum) and the Accessory Contract with its client. TAIFEX will provide the sample Accessory Contract for reference to ensure the content of this contract covers the matters that should be recorded according to Article 20 of TAIFEX OTC Derivative Clearing Operating Rules.

- (2) If the original counterparties in the bilateral transaction signed the General Agreement:

The General Clearing Member should sign the ‘OTC

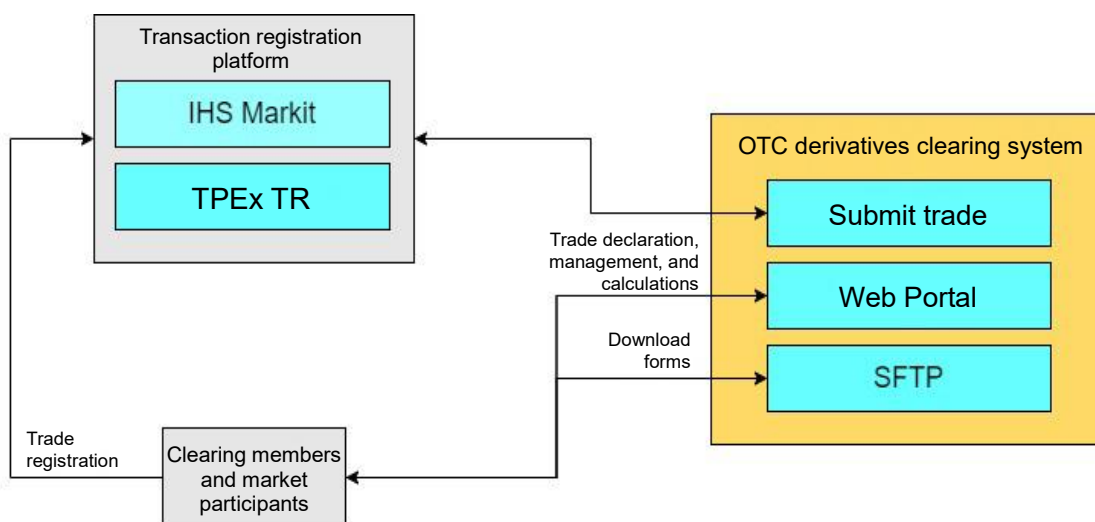
Derivatives Client Clearing Agreement’ (hereinafter referred to as Client Clearing Agreement) with its client.

TAIFEX provides the sample Clearing Execution Agreement and Client Clearing Agreement for reference.

## Chapter 4 Recommended IT specifications and related functions

### Section 1 IT system architecture

The clearing member and market participants shall register trades through the trade registration platform (IHS Markit or TPEX TR). The trade registration platform will submit the trade to the TAIFEX OTC derivatives clearing system. Additionally, clearing members can conduct related reporting, management, calculations, and view and download



various reports through the TAIFEX OTC derivatives clearing system web portal (SFTP).

For questions related to IHS Markit trade registration platform, please contact:

Sharon Tang

+852 3742-1043

Sharon.tang@ihsmarkit.com

For questions related to TPEX TR trade registration platform, please contact:

Mr. Wu

(02) 2366-6153

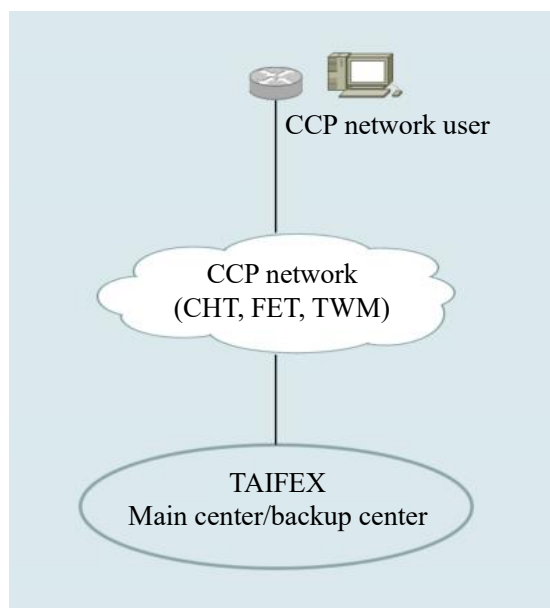
pjwu@tpex.org.tw

Mr. Wu

(02) 2366-6149



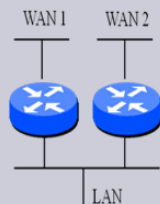
williamwu@tpex.org.tw

## Section 2 User-end network architecture



- Type 1 is a basic plan and provides single telecom company WAN network. Users can choose Type 1 plans from 2 or more telecommunication companies as backup.
- Type 2 provides single telecom company WAN network backup.
- Type 3 provides single telecom company WAN network and router backup to prevent single point of failure (SPOF).

For questions related to the user-end network architecture, please contact the IT Operations Department of TAIFEX:

	Type 1	Type 2	Type 3
Connection method			
Description	1 WAN 1 LAN	Single telecom company WAN network backup	Single telecom company WAN network and router backup

Mr. Chen

(02) 8071-8025

Mr. Chen

(02) 8071-8028

### Section 3 Telecom company network plans and rates

The plans and rates of each telecom company are described below (for reference). Related configuration fees and equipment model number shall be provided by the personnel of each telecom company.

#### (1) Chunghwa Telecom plan

##### Package 1

FTTB PROFESSIONAL NETWORK	FIRST INSTALLATION FEE/INSTANCE	MONTHLY FEE (NETWORK + VPN BANDWIDTH)/NETWORK	ROUTER RENTAL FEES ARE CALCULATED SEPARATELY (CISCO 1941 OR EQUIVALENT)
1M	NT\$3,000	NT\$4,350	<ul style="list-style-type: none"> <li>• INSTALLATION FEE/INSTANCE NT\$2,650</li> <li>• MONTHLY FEE/DEVICE NT\$2,500</li> </ul>
2M	NT\$3,000	NT\$8,120	

**Package 2**

NGSDH FIXED LINE	FIRST INSTALLATION FEE/INSTANCE	MONTHLY FEE (NETWORK + VPN BANDWIDTH+ROUTER 1941)/NETWORK
2M	NT\$23,500	NT\$14,880

Chunghwa Telecom private bandwidth related operations

02-2344-5568 #727 Ms. Lee (whale@cht.com.tw)

**(2) Far EasTone Telecom plan**

MPLS VPN	FIRST INSTALLATION FEE/INSTANCE	MONTHLY FEE (NETWORK + VPN BANDWIDTH)/NETWORK
1M	NT\$2,000	NT\$6,400
2M	NT\$2,000	NT\$8,000

Far EasTone Telecom private bandwidth related operations

0955-566369 Ms. Hsieh

**(3) Taiwan Fixed Network plan**

ETHERNET DEDICATED LINE CIRCUIT	FIRST INSTALLATION FEE/INSTANCE	MONTHLY FEE (NETWORK + VPN BANDWIDTH)/NETWORK	ROUTER RENTAL FEES ARE CALCULATED SEPARATELY (JUNIPER SRX 320) NT\$1,630/MONTH PER DEVICE (DISCOUNT TO 2022/12/31)
1M	NT\$0	5,250	
2M	NT\$0	8,370	

\*2 year contracts are exempt from installation fees

Taiwan Fixed Network private bandwidth related operations

0922-441465 Ms. Chen

0928-662357 Ms. Su

## Section 4 **Connection application procedure for clearing members**

Financial institutions that plan to submit a TAIFEX clearing membership application shall use the OTC derivatives clearing dedicated connection for production environment and holiday testing. Please sign the “OTC Derivatives Clearing Connection Agreement” with TAIFEX (refer to attachment 8) first before freely choosing Chunghwa Telecom, Far EasTone Telecom or Taiwan Fixed Network to apply for single (or multiple) leased line.

(1) Sign the connection agreement:

Please contact the Computer Operation Department of TAIFEX to obtain the “OTC Derivatives Clearing Connection Agreement” first, and review the following documents related to the contracted matters with TAIFEX.

1. One set of the “OTC Derivatives Clearing Connection Agreement” is stamped with official company chop in duplicate.
2. Documentary proof of approval by the Competent Authority to engage in derivatives trading or handle derivatives operations.
3. Application letter.

(2) Leased line application:

1. Please fill out the “OTC Derivatives Clearing Leased Line Application Form” and telecom company rental and change application form, and submit the forms to TAIFEX for application.
2. TAIFEX shall issue the IP address for the leased line and forward the telecom company rental and change application form to the telecom company.



- Once the telecom company completes installation and IP address configuration, connection to the clearing system will be established.

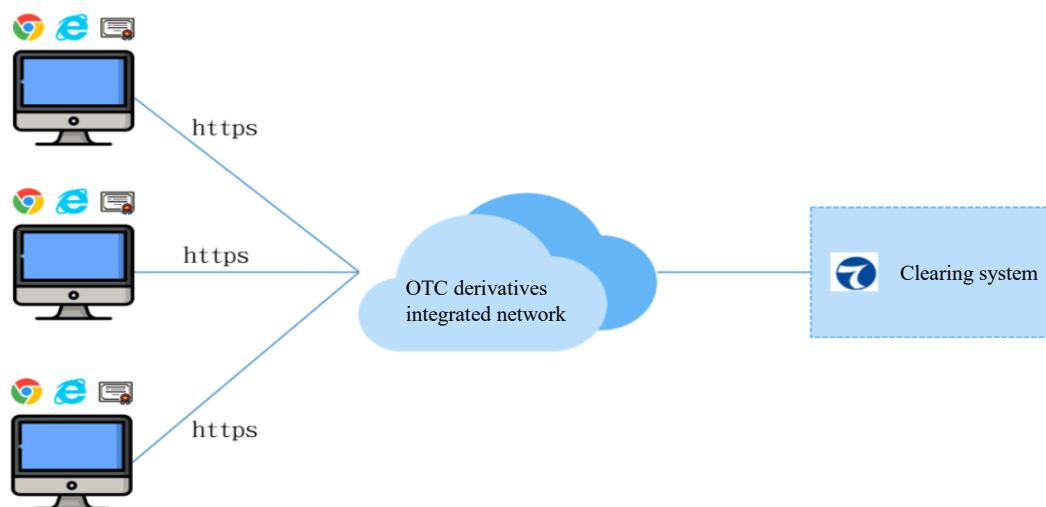
To download the aforementioned application letter template and leased line application forms, please visit the TAIFEX website: (<https://www.taifex.com.tw/cht/8/techDocsDetails?id=52>)

For questions related to TAIFEX connection fee schedule, connection agreement signing, and leased line applications, please contact the Computer Operation Department. Telephone:

(02) 8071-8034 Ms. Liu

## Section 5 Login method for the Web Portal

The clearing member can use their browser and “Ministry of Economic Affairs Certificate Authority” or “Shared certificate for securities and futures related units” to login to the TAIFEX OTC derivatives clearing system web portal through the OTC derivatives integrated network.



Browser + certificates

- (1) System requirements
1. OTC derivatives integrated network
  2. Browser: Chrome or Edge. (1920 x 1080 screen resolution recommended)
  3. Certificate signing component: security control intermediary component.exe
  4. Certificate IC card and card reader
    - Ministry of Economic Affairs Certificate Authority
    - Shared certificate for securities and futures related units

(2) Certificate IC card application method

1. Ministry of Economic Affairs Certificate Authority
  - Application method: Ministry of Economic Affairs Certificate Authority Management Center
  - Application identity: Companies and branches that have completed registration according to the Company Act. Limited partnerships and limited partnership branches registered in accordance with the Limited Partnership Act and businesses registered in accordance with the Business Registration Act.
  - Primary and secondary card application: For the first application, application for the primary card is required, and then secondary cards can be applied for.
  - Certificate fee

Fee items	Price	Unit
Certificate primary card (valid for 5 years)	NT\$420	Each card

Certificate secondary card (valid for 5 years)	NT\$420	Each card
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2. Shared certificate for securities and futures related units

- Application method: Taiwan-CA Inc.
- Application identity: Not limited to securities and futures companies. All companies may apply.
- Primary and secondary card application: Primary and secondary cards can be applied for at the same.
- Certificate fee

Fee items	Price	Unit
Certificate primary card (valid for 2 years)	NT\$2,500	Each card
Certificate secondary card (valid for 2 years)	NT\$2,000	Each card

(3) Descriptions of the two-factor login and data maintenance function

1. Sign in

- (1) Open the clearing system
- (2) Enter the clearing member code, user account and password




結算會員登入 / Clearing Member Login

結算會員代碼/Clearin...	使用者帳號/Username	使用者密碼/Password
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登入 / Login

- (3) Insert the “Ministry of Economic Affairs Certificate Authority” or “Shared certificate for securities and futures related units”.
- (4) Enter the certificate PIN code



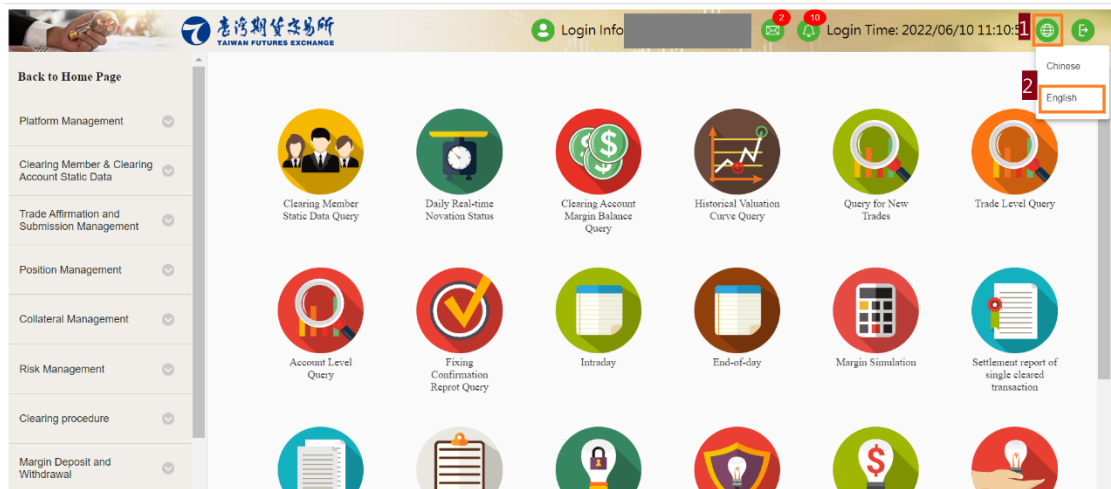
請輸入PIN碼/Please Input PIN

結算會員代碼/Clearing Member Code 0980000	使用者密碼/Password ..
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憑證登入/Cert Login

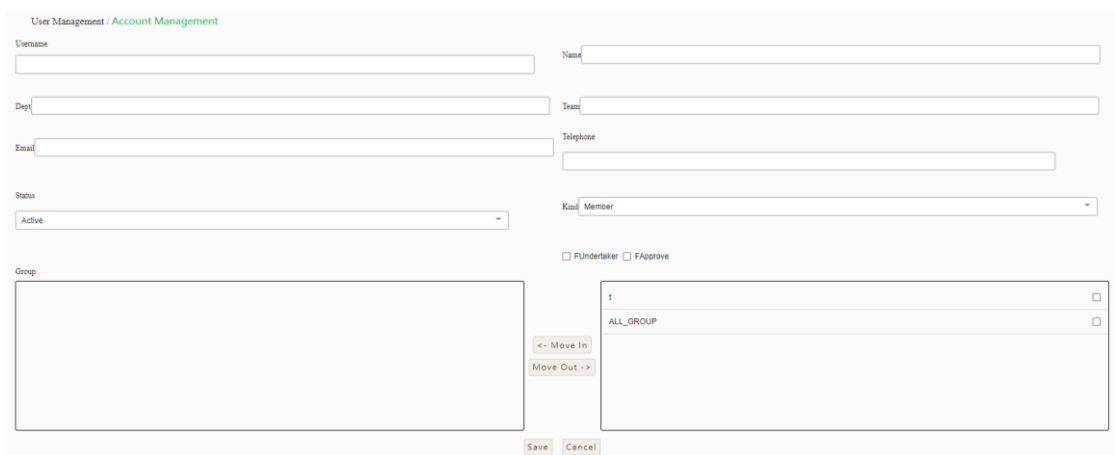
取消/Cancel

## (5) Successful login<sup>5</sup>



## 2. Account information maintenance

Users are divided into account administrators, managing user, and general user. Groups may be configured according to the user access.



## 3. Certificate information maintenance

- Registered certificates can be used by all users of the institution.
- There is no limit to the number of certificates that can

<sup>5</sup> The account administrator must login and register certificate information for the first login.

be registered.

- Add/delete certificates.

Notices for adding certificates :

- \* Please connect the card reader to your PC USB and insert your certificate when adding your certificate.
- \* Press the read certificate serial number button and type your PIN. Check if the information on the screen below is the correct certificate.
- \* Press the save button to complete adding your certificate.

Member full Legal Name

0980000 BAU測試CM—

Authentication Type

Authentication Code

For questions related to the web portal connection method, please contact the IT Planning Department of TAIFEX:

(02) 2366-3262 Ms. Chu

## Section 6 Web portal functions

The functions of the web portal provided to clearing members by TAIFEX are described below:

- (1) Clearing member and Clearing account static data
  - Clearing member static data management: Upload and query of clearing member.
  - Clearing account management: Clearing account information registration, change, enquiry, cancellation, and review.
  - Daily settlement type for clearing account management
- (2) Trade affirmation and Submission management
  - Daily real-time novation status
  - Daily backloading novation status
  - Account cleared transaction status
- (3) Position management

- Position netting management: Application, cancellation, review and inquiry.
  - Position transfer management: Application, cancellation, review and inquiry.
- (4) Collateral management
- Securities static data query
  - Clearing account margin balance query
  - Exchange rate query
  - Interests on bonds query
- (5) Risk management
- IRS quotes management
  - Valuation curve management
  - Margin check for the trades submitted to clearing
  - NPV and Margin query
  - IRS fixing rate query
  - Margin deposit notification query
  - Margin simulation
  - Position concentration query
- (6) Clearing procedure
- Settlement report of single cleared transaction
  - Settlement report of single clearing account
  - Settlement report of clearing member
- (7) Bank deposit and withdrawal management
- Account numbers for cash deposit query
  - Cash deposit
  - Securities deposit
  - Cash and securities withdrawal

- Foreign exchange settlement agent service
- Default fund balance query
- (8) Default fund management
  - Default fund contribution deposit and withdrawal notification
- (9) Auction platform
  - Auction list
  - Bidding results
- (10) Fee and Finance
  - Securities as administrative fee monthly report
  - Clearing service fee monthly report
  - Details of cash collateral interest list
  - Cash collateral interest list
  - Default fund interest list
  - Details of withholding voucher
  - Clearing service fee daily report
- (11) KCCP Procedure
  - KCCP query
- (12) User management
  - Account management
  - Group management
  - Voucher management
  - SFTP
  - Change user account passwords
- (13) Query and download of related reports
  - Download of related business reports
  - Application for the SFTP reports download function



## Section 7 SFTP connection settings

The SFTP account applications can be submitted through the web portal provided to clearing members by TAIFEX and the details are as follows:

### (1) SFTP Server account application

To apply for an account, log in to the clearing system web portal first, then click SFTP Application in the bottom left corner.



Back to Home Page

User Management / SFTP

Account Management

Group Management

Voucher Management

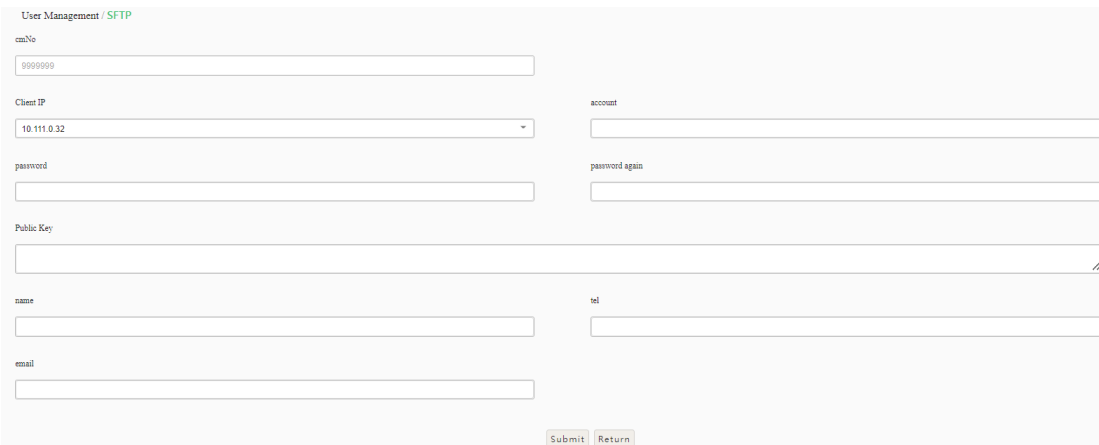
**SFTP**

User Account/Password

Version: 1.20220609.1

account	name	tel	email	apply time	status	modify type	Manipulation
ftp_user	ftp_user	0227091111	ftp_user@taifex.com.tw	2022/02/08	完成	無	Detail Update Delete
ftp_user2	ftp_user2	0227091111	ftp_user@taifex.com.tw	2022/02/08	完成	無	Detail Update Delete

### (2) Add account application



User Management / SFTP

emNo  
9999999

Client IP  
10.111.0.32

password

password again

Public Key

name

tel

email

Submit Return

### (3) After next business day takes effect

- (4) Use file transfer software to connect and log in for file download (using FileZilla as an example)<sup>6</sup>:



For questions related to the SFTP connection settings, please contact the System Development Department of TAIFEX:

(02) 2366-3135 Mr. Lo

<sup>6</sup>1. Port 22999 must be used (clearing member network managers are required to allow port firewall access)

2. The DNS shall be queried through Domain Name before connection

	OTC derivatives clearing system SFTP
Server 1	ccpsftp1.taifex
Server 2	ccpsftp2.taifex

3. The login methods are divided into entering the account and password or using the private key file

## Section 8 Client trade limit management

TAIFEX provides clearing members can increase and amend the client trade limit for each client account on web portal in phase 2. When the usage of limit exceeds pre-defined criteria, TAIFEX will provide warning alert to clearing members. TAIFEX provides different setting options including additional margin parameter and whether the setting is automatically treated as RFC result.

Further information is as follows:

### (1) Client trade limit inquiry

Clearing members can check the latest usage information on web portal. The expected layout is as follows:

Serial number	Clearing account	Clearing account base currency	Limit	Limit used	Limit used(%)	Manipulation
1	TEST001	TWD	1200	840	70%	Setting
2	TEST002	TWD	500	510	102%	Setting
3	TEST003	TWD	800	760	95%	Setting
4	TEST004	USD	2000	1650	82.5%	Setting

### (2) Increase/Amend client trade limit

Clearing members can increase or amend the client limit and parameter on web portal.

### (3) Additional margin parameter of client accounts

Clearing members can set the additional margin parameter of client accounts on web portal.

Parameter item	Parameter range
Additional charge on account(%)	0~infinity
Additional charge on account in amount(account base currency)	0~ infinity

#### (4) Whether to set as RFC result

Clearing members can set whether the client limit is treated as automatically RFC result on web portal.

If yes, when a client submit a new trade, after the eligibility check, TAIFEX will calculate the required limit (required margin \* (1+ Additional charge on account(%)) + Additional charge on account in amount)

When the required limit is less than the residual limit (limit – limit used), TAIFEX will treat it as ‘YES’ for RFC result. If it is larger than the residual limit, TAIFEX will treat it as ‘No’ for RFC result.

#### (5) Limit warning mechanism

When the limit exceeds different criteria, TAIFEX will notify its clearing member via text message and E-mail.

Criteria	Triggering conditions
Notice	80% <= limit usage <= 90%
Warning	90% <= limit usage <= 100%
Exceed limit	100% < limit usage

## Section 9 Client API AMQP Connection Setting

The Client API AMQP account application can be submitted through the web portal provided to clearing members by TAIFEX and the details are as follows:

(1) Client API AMQP account application

To apply for an account, log in to the clearing system web portal first, then click AMQP Application in the bottom left corner.

(2) Add account application

Clearing members can fill in fields, including account, password, password confirmation, and up to five IP information. This process is still under planning.

(3) Pending system administrator review

(4) Connection testing

Clearing member can abide by the following connection setting and use client software that follows AMQP with correct login information to connect.

	AMQP Broker & DNS IP
AMQP Broker (Main)	amqp1.taifexccp
AMQP Broker (Backup)	amqp2.taifexccp
DNS (Main)	192.168.231.67
DNS (Backup)	192.168.236.66

For questions related to the Client API AMQP connection settings, please contact the System Development Department of TAIFEX:

(02) 2366-3135 Mr. Lo

## Chapter 5 Attachment(s)

The following document templates are provided to the OTC clearing membership applicant for reference. Related attachment templates may be amended according to business needs. The edited template will replace the original template. TAIFEX shall consider whether the clearing member should provide related documents according to the amended content.

[Attachment 1] OTC Clearing Membership Application Form



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**OTC Clearing Membership Application Form**  
**Taiwan Futures Exchange**

---

If you have any questions regarding this application form, please contact:

[otcclearing@taifex.com.tw](mailto:otcclearing@taifex.com.tw)

## OTC Clearing Membership Application Form

Full Legal Name		Unified Business Number	
Membership Type	<input type="checkbox"/> Individual Clearing Member <input type="checkbox"/> General Clearing Member		
Type(s) of Organization	<input type="checkbox"/> Bank <input type="checkbox"/> Leverage transaction merchant <input type="checkbox"/> Securities Corporation <input type="checkbox"/> Insurance Company <input type="checkbox"/> Bills Finance Corporation		
Date of Incorporation		Country of Incorporation	
Registered Address			
Business Address			
Website			
Person-in-charge		Person-in-charge Title	
Phone Number		Email	
Capital Adequacy Ratios (%)		Paid-in Capital	
FINI ID Foreign Institutional Investor ID (FINI ID)		Swift Code Society for Worldwide Interbank Financial Telecommunication Code (Swift Code)	
LEI Legal Entity Identifier (LEI)			
Affirmation Platform		MarkitWire ID	



		TradeSERV ID	
		TPEX Financial Institution Code	
Member ID of The Affiliated Entity Who is TAIFEX's Existing Clearing Member	Affiliated Entity :  Clearing Member :  Member ID :		
For an applicant being a branch established within the territory of the R.O.C. by a foreign financial institution, its clearing operation involves submission of transactions for clearing under House Account on behalf of its head quarter or other branches <sup>7</sup>		<input type="checkbox"/> Submission of transactions for clearing under House Account on behalf of the Head Quarter <input type="checkbox"/> Submission of transactions for clearing under House Account on behalf of Branches <input type="checkbox"/> None of the above	

<sup>7</sup> According to Article 2.1.2 of the TAIFEX OTC Derivative Clearing Enforcement Rules, for a clearing member being a branch established within the territory of the R.O.C. by a foreign financial institution, before commencing its clearing operations of proprietary derivatives by the head office or other branches for the first time, the head office shall issue a commitment stating its obligation of jointly performing clearing and settlement.

**Review attachments (mark the  with a V if the document is attached):**

**Application documents:**

1.  OTC Clearing Membership Application Form
2.  Company registration Certificate
3.  Documents evidencing permission by the Competent Authority to engage in derivatives trading or handle derivatives operations

**Business documents:**

1.  Business plan
2.  The company's internal control system
3.  Director list
4.  Board Meeting Minutes; for a branch established within the territory of the R.O.C. by a foreign financial institution according to the law, the Board Meeting Minutes may be replaced with an approval letter issued by the authorized personnel of the head institution
5.  A list of supervisors in charge of clearing operations of OTC derivatives and specialists conducting clearing operations

**Financial documents and statements:**

1.  The financial report audited and attested by CPAs for the latest fiscal year or the most recent period
2.  Disclosure document for the latest capital adequacy or equivalent documentation
3.  Declaration of non-violation of any disqualification for the applicant of the clearing member
4.  Declaration stating completeness of tests conducted with TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform

**Other documents for specific qualifications:**

1.  Commitment letter<sup>8</sup> (clearing member applications applicable to Paragraph 2, Article 2.1.2 and Item 3, Subparagraph 1, Paragraph 1, Article 2.1.3 of the OTC Derivatives Clearing Enforcement Rules (hereinafter referred to as Enforcement Rules))
2.  Guarantee letter<sup>9</sup> (clearing member applications applicable to Items 1 and 2, Subparagraph 1, Paragraph 1, Article 2.1.3 of the Enforcement Rules)
3.  The financial report audited and attested by CPAs for the latest fiscal year or the most recent period of the commitment or guarantee letter issuing institution.

<sup>8</sup> The clearing membership applicant shall provide a commitment letter:

(1) To handle proprietary clearing operations, before submitting the trade contract to the head institution or its other branches for the first time, a commitment letter shall be issued by the head office.

The company fully understands the OTC Derivative Clearing Operating Rules and Enforcement Rules of Taiwan Futures Exchange Corporation. The application shall be submitted according to Article 2.2.1 of the Enforcement Rules. The company hereby declares that the information provided above is correct and complete.

Best Regards,

Taiwan Futures Exchange Corporation

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Person-in-charge

\_\_\_\_\_  
Retained the Ministry of Economic Affairs seal

Date

(2) The head office shall issue a commitment letter for Individual Clearing Member applicants whose minimum paid-in capital does not meet the requirement of NT\$2 billion.

<sup>9</sup> The clearing membership applicant shall provide a guarantee letter:

If the minimum paid-in capital of the Individual Clearing Member is less than NT\$2 billion, its financial holding company, foreign financial holding company or controlling company shall issue a guarantee letter.

## A list of supervisors in charge of clearing operations of OTC derivatives and specialists conducting clearing operations

Authorized Person Form				
Name	Job Title	Phone Number	Email Address	Application
	Clearing operation manager			<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
	Personnel conducting the collection and payment of margins and settlement funds			<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
	Accounting personnel			<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
	Cashier personnel			<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
	Specialists engaged in client clearing operations	Telephone: _____ Cellphone: _____		<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted

				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted
				<input type="checkbox"/> New <input type="checkbox"/> Edit <input type="checkbox"/> Deleted

The clearing membership (applicant) shall appoint a manager mentioned above to handle the clearing operation. The clearing membership (applicant) hereby declares that when changes are made to the personnel listed, the clearing membership (applicant) shall register the change on the TAIFEX within 5 days. Before the change is registered, the clearing membership (applicant) shall be responsible for the actions of the personnel.

Best Regards,

Taiwan Futures Exchange Corporation

[A signature card affixed with the signature and seal]

Date

[Attachment 2] Format and template of the business plan

## **Format and template of the business plan**

### **I. Company Profile**

#### A. Description of the company's organizational structure

(1) Show the internal organizational structure using a diagram and describe the division of labor

(2) Describe the authorized power and business content of the OTC clearing operation unit

#### B. The structure of the head office and branches, and affiliated enterprises (can be omitted if not applicable)

(1) Include a diagram showing the shareholding relationships between the head office and branches (focus on the institution that intends to provide clearing services on its behalf)

(2) Include a diagram showing the shareholding relationship with affiliated institutions (focus on the institution that intends to provide clearing services on its behalf)

(3) The risk management methods of the head office and branches, such as the setting of the clearing service risk limitation and management method, account and position management principles, etc.

#### C. Scope and management principles of OTC clearing operations

Explain the scope and management principles of OTC clearing operations, such as legal compliance, increasing OTC derivatives clearing percentage, improving client clearing service quality, etc.

### **II. Management structure of OTC clearing operations**

#### A. Allocation and management of personnel (those who have entrusted

clearing operations to others shall explain the scope of the contracted party and entrusted matters)

B. Personnel training

Such as internal training, external training, or training required by competent authorities or laws and regulations.

C. Premises and equipment overview

Such as the location of the offices, connection equipment, communication equipment, IT equipment, host, backup host, etc.

D. Operation and system backup policy

**III. Risk management method and legal compliance of OTC clearing operations**

A. Risk identification and management

B. Position management method

C. Clearing account management principles

D. Clearing operation procedures

E. Clearing margin payment management

F. Accounting Procedures

G. Know-your-customer for the opening of clearing accounts

H. Internal regulations for money laundering prevention and anti-terrorism

**IV. Paid-in capital and financial structure description document**

A. The financial report audited and attested by CPAs for the latest fiscal year or the most recent period

B. Disclosure document for the latest capital adequacy or equivalent documentation

[Attachment 3] Declaration of non-violation of any disqualification for the applicant of the clearing member

**Declaration of non-violation of any disqualification for the applicant of the clearing member**

\_\_\_\_\_ (hereinafter referred to as the Company) fully understands the OTC Derivative Clearing Operating Rules and OTC Derivatives Clearing Enforcement Rules (hereinafter referred to as OTC Enforcement Rules) of the Taiwan Futures Exchange Corporation (hereinafter referred to as TAIFEX). In order to apply for clearing membership from TAIFEX and to handle OTC derivatives clearing operations (hereinafter referred to as OTC clearing operations), the Company declares the following:

- A. The following matters were not found within the Company:
- (1) In the last 6 months, the Company has been ordered by the Competent Authority to replace its responsible person, or been ordered to discharge its responsible person.
  - (2) In the last year, the Company has been ordered by the Competent Authority to suspend its business operations in whole or in part.
  - (3) In the last 2 years, the Company has had any of its business licenses revoked by the Competent Authority.
- B. The following matters are not applicable to the Company's directors, supervisors, and the OTC clearing operation managers appointed in accordance with Article 2.1.5 of the OTC Enforcement Rules. The same applies to all juristic person representatives or the appointed representatives to carry out duties of institutional directors and supervisors of the Company.



- (1) Any person specified in any subparagraph of Article 30 of the Company Act;
- (2) Any person who served as the director, supervisor, manager, or other equivalent position of a juristic person at the time it was adjudicated bankrupt, where 3 years have not yet elapsed since the finalization of the bankruptcy proceedings, or where reconciliation has not been satisfied;
- (3) Any person whose checking account at a financial institution has been dishonored within the preceding 3 years; or
- (4) Any person who has been discharged from a position within the past 5 years under Article 61-1, Paragraph 1, Subparagraphs 6 or 7 of the Banking Act, Article 149, Paragraph 1, Subparagraphs 4 or 6 of the Insurance Act, Articles 56 or 66, Subparagraph 2 of the Securities and Exchange Act, Article 101, Paragraph 1 of the Futures Trading Act, Article 51 of the Act Governing Bills Finance Business applied mutatis mutandis under Article 61-1, Paragraph 1, Subparagraph 6 or 7 of the Banking Act.
- (5) Any person who has been sentenced under the Futures Trading Act, the Company Act, the Securities and Exchange Act, the Banking Act, the Insurance Act, or the Act Governing Bills Finance Business to a punishment of not less severe than a criminal fine; and 5 years have not yet elapsed since sentence was served, the probation expired, or the offence was pardoned.
- (6) Any person who has been removed from a position pursuant to Article 100, paragraph 1, subparagraph 2 of the Futures Trading Act within the past 5 years.

- C. After the Company becomes a TAIFEX clearing member, it will continue to comply with the aforementioned statement. If it is non-compliant, the Company shall provide related documents for reporting to TAIFEX.

Best Regards,

Taiwan Futures Exchange Corporation

Company name:

Unified business number:

Registered address:

Person-in-charge:

[Retained the Ministry of Economic Affairs seal]

Date

[Attachment 4] Commitment letter

## Commitment letter

\_\_\_\_\_ (hereinafter referred to as the Company) fully understands the OTC Derivative Clearing Operating Rules and OTC Derivatives Clearing Enforcement Rules (hereinafter referred to as OTC Enforcement Rules) of the Taiwan Futures Exchange Corporation (hereinafter referred to as TAIFEX). The Company's branch in Taiwan shall apply for clearing membership of TAIFEX, in order to conduct the clearing operations of OTC derivatives (hereinafter referred to as OTC clearing operations). The Company shall issue a commitment letter and guarantee the following matters to TAIFEX pursuant to Paragraph 2, Article 2.1.2 and Item 3, Subparagraph 1, Paragraph 1, Article 2.1.3 of the OTC Enforcement Rules:

- A. The head institution of the company, \_\_\_\_\_ (hereinafter referred to as Clearing Member).
- B. The Company promises to fulfill the clearing obligations and related duties of the Clearing Member when conducting TAIFEX OTC clearing operations. Additionally, according to Paragraph 2, Article 2.1.2 of the OTC Enforcement Rules, the transactions of such institutions listed in the attachments conducts clearing in TAIFEX. The Company promises to conduct the same obligations.
- C. If the Clearing Member may fail to pay the clearing margin, the OTC derivatives default fund or other amounts stipulated by TAIFEX within the specified time, the Company shall provide funds immediately or handle the matter according to TAIFEX's instructions.
- D. When the Company's internal policies for providing funds to the Clearing Member are changed, the Company shall notify TAIFEX or direct the Clearing Member to report the change.
- E. The commitment letter is governed by the laws of the Republic of China.
- F. For disputes arising from the commitment letter or OTC clearing operations, the Company agrees to submit the dispute to the Chinese Arbitration Association, Taipei for

arbitration. If an arbitration judgment cannot be made as expected and a lawsuit is initiated, the Company agrees that the Taiwan Taipei District Court shall be the court of first instance.

Best Regards,

Taiwan Futures Exchange Corporation

[Signature and seal of the authorized person]

Date

### Commitment letter attachments

Information of Head office			
Name		Date of Incorporation	
Registered Address		Representative	
LEI		Swift Code	
Type(s) of Organization		Country of Incorporation	
Capital Adequacy Ratios (%)		Paid-in Capital	

Information of Overseas Branches			
Name		Date of Incorporation	
Registered Address		Representative	
LEI		Swift Code	
Type(s) of Organization		Country of Incorporation	
Capital Adequacy Ratios (%)		Paid-in Capital	

[Attachment 5] Guarantee letter

## Guarantee letter

\_\_\_\_\_ (hereinafter referred to as the Company) fully understands the OTC Derivative Clearing Operating Rules and OTC Derivatives Clearing Enforcement Rules (hereinafter referred to as OTC Enforcement Rules) of the Taiwan Futures Exchange Corporation (hereinafter referred to as TAIFEX). The Company's subsidiary or affiliated company shall apply to become a clearing member of TAIFEX to handle OTC derivatives clearing operations (hereinafter referred to as OTC clearing operations). The Company shall issue a guarantee letter and guarantee the following matters to TAIFEX pursuant to Items 1 or 2, Subparagraph 1, Paragraph 1, Article 2.1.3 of the OTC Enforcement Rules:

- A. The head institution of the company, \_\_\_\_\_ (hereinafter referred to as Clearing Member).
- B. The Company promises to jointly fulfill the clearing obligations and related duties of the Clearing Member when conducting TAIFEX OTC clearing operations.
- C. If the Clearing Member may fail to pay the clearing margin, the OTC derivatives default fund or other amounts stipulated by TAIFEX within the specified time, the Company shall provide funds immediately or handle the matter according to TAIFEX's instructions.
- D. When the Company's internal policies for providing funds to the Clearing Member are changed, the Company shall notify TAIFEX or direct the Clearing Member to report the change.
- E. The guarantee letter is governed by the laws of the Republic of China.
- F. For disputes arising from the guarantee letter or OTC clearing operations, the Company agrees to submit the dispute to the Chinese Arbitration Association, Taipei for arbitration. If an arbitration judgment cannot be made as expected and a lawsuit is initiated, the Company agrees that the Taiwan Taipei District Court shall be the court of first instance.

Best Regards,

Taiwan Futures Exchange Corporation

Company name:

Unified business number:

Person-in-charge:

Registered address:

[Retained the Ministry of Economic Affairs seal]

Date

Foreign Financial Holding Company			
Name		Date of Incorporation	
Registered Address		Representative	
LEI		Swift Code	
Type(s) of Organization		Country of Incorporation	
Capital Adequacy Ratios		Paid-in Capital	

[Attachment 6] Over-the-Counter Derivatives Clearing Agreement  
(This English translation is for reference only. In the event of any discrepancy between this English version and the original Chinese language agreement, the Chinese language agreement shall prevail.)

**OVER-THE-COUNTER DERIVATIVES CLEARING AGREEMENT**

**THIS OVER-THE-COUNTER DERIVATIVES CLEARING AGREEMENT** (the “Agreement”) is entered into by and between:

**TAIWAN FUTURES EXCHANGE CORPORATION** (“Party A”); and

\_\_\_\_\_ (“Party B”).

**WITNESSETH:**

**WHEREAS**, Party A is a futures clearing institution approved and licensed by the Competent Authority in accordance with the Futures Trading Act of the Republic of China (Taiwan) (“Taiwan”) and engages in the business of central clearing of over-the-counter (“OTC”) derivatives in accordance with Party A’s OTC Derivative Clearing Operating Rules (“OTC Operating Rules”); and

**WHEREAS**, Party B wishes to become a qualified clearing member in accordance with Party A’s OTC Operating Rules and related market rules, and to engage in the central clearing of OTC derivatives business.

**NOW, THEREFORE**, the parties hereto agree to enter into this Agreement so that Party B qualifies to act as a clearing member to engage in the central clearing of OTC derivatives business.

The parties agree to comply with the following:



1. Effective Date. This Agreement shall become effective upon execution by Party A and Party B and Party B's depositing of the required OTC derivatives default fund. Party B shall not commence the OTC derivatives central clearing business unless and until Party A signs and returns this Agreement whereupon Party B shall become a qualified clearing member.
2. Applicable Law and Regulation. In engaging in the OTC derivatives central clearing business, Party B shall comply with Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A.

Party B shall also comply with any amendment of Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A.

Terms used herein shall have the same meaning ascribed thereto under Party A's OTC Operating Rules and related market rules.

3. Representations and Warranties. Party B hereby makes the following representations and warranties:
  - (1) Party B is a company duly established and existing under the laws of Taiwan, with legal capacity to own its assets and engage in its businesses.
  - (2) Party B has completed all necessary internal authorizations in accordance with Party B's internal procedures to execute, deliver and perform this Agreement and other related documents.
  - (3) The execution, delivery and performance of this Agreement by Party B does not violate any law or regulations, or Party B's articles of incorporation or internal rules, and will not impact any obligations of Party B hereunder or give rise to any event of default.
  - (4) This Agreement and any other documents related hereto are legally valid and binding against Party B.

- (5) Party B has obtained all necessary approvals and licenses in accordance with applicable laws and regulations which approvals and license remain, and will remain, in effect during the term hereof, and no event exists with respect to Party B which would give rise to revocation of such approvals or licenses by the Competent Authority.
  - (6) No petition has been filed by or against Party B for any suspension of business, winding up, liquidation, bankruptcy, corporate reorganization or other analogous proceedings.
  - (7) All information provided by Party B in connection with the application to act as clearing member and to engage in central clearing of OTC derivatives is accurate.
4. Undertakings. In engaging in the central clearing of OTC derivatives business, Party B shall:
- (1) Assume all responsibilities to perform clearing and settlement obligations and shall not be discharged of such responsibility on the grounds of being mandated by a third party or any other reason;
  - (2) Comply with clearing, settlement and position limit requirements of Party A;
  - (3) Deposit in advance the full amount of clearing margin required by Party A into Party A's clearing margin account, and make up any shortfall in the event that the amount of deposited clearing margin falls below the threshold required by Party A;
  - (4) Pay clearing service fees, the OTC derivatives default fund and other fees by the deadline prescribed by Party A;
  - (5) Duly retain all daily clearing and settlement records of OTC derivatives positions for Party B's proprietary account and for the account of Party B's clients, and prepare the relevant financial statements or other statements in accordance with Party A's OTC Operating Rules, related market rules and

other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A; and

- (6) Notify Party A in writing immediately upon occurrence of any event described in Article 15, Paragraph 1 hereof.

Party B agrees that Party A may retain all information provided by Party B in connection with Party B's application to act as a clearing member and to engage in the business of central clearing of OTC derivatives.

5. Clearing Margin. Party B agrees to cause its clearing bank and custodian of securities to provide information related to Party B's clearing margin account upon Party A's request, and agrees that, in the event of Party B's failure to perform any central clearing obligations, Party A may notify Party B's clearing bank and custodian of securities to suspend Party B's withdrawal of funds and securities from such accounts and to transfer funds and securities into the account directed by Party A.
6. Clearing Member Qualifications. Party B shall at all times meet Party A's qualification requirements for clearing members, and notify Party A in writing immediately upon occurrence of any event which would result in or likely result in Party B no longer being qualified to act as a clearing member.
7. Assumption of Agreement. To the extent that Party B has entered into an assumption agreement with another clearing member, Party B shall provide a copy of such agreement to Party A within five (5) business days after execution thereof.
8. Assumption of Central Clearing Business. In the event of bankruptcy, winding up, cessation of business or failure to perform central clearing obligations with respect to any other clearing member, Party A shall have the power to appoint Party B to assume the central clearing business of such clearing member and Party B does not have the right to refuse such appointment.
9. Loss Sharing Upon Default. In the event that the clearing margin deposited by a defaulting clearing member is insufficient, Party A may designate the portion to be borne by Party B based on the priority and sharing percentage contemplated by the

Futures Trading Act, Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A, and Party B does not have the right refuse such designation.

10. Other Acts. Party A may request Party B to provide any relevant information or execute any necessary document in connection with handling of the business of central clearing of OTC derivatives or as and when necessary in accordance with Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A.
11. Force Majeure. Party A shall not be liable for any loss or damage suffered by Party B due to force majeure events such as market emergency, changes in applicable laws or regulations, any order from the Competent Authority, disruption or malfunction of computer system or communications facilities, war, strike, natural disasters or events caused by human behavior.
12. Employee Conduct. Party B shall be fully responsible for all activities of Party B's employees in connection with the business of central clearing of OTC derivatives and, in the event of any change or removal of employees, shall remain fully responsible for activities of Party B's registered employees prior to completion of the relevant change or cancellation of registration status of the relevant employees.
13. Liquidated Damages. Upon occurrence of any of the following events with respect to Party B, Party A may demand liquidated damages from Party B in accordance with Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A:
  - (1) Violation of applicable laws and regulations, incompliance with administrative decisions issued by the Competent Authority or violation of Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A;

- (2) Engaging in the central clearing business in bad faith, resulting in damages suffered by others;
- (3) Refusal to assume the central clearing business of other clearing member(s) upon occurrence of events described in Article 8 hereof; or
- (4) Violation of the terms of this Agreement.

14. Consequences of Party B's Default Due to Financial Reasons. In the event that Party B defaults due to financial reason, in addition to exercise of rights described in Article 15, below, Party A may also take measures in accordance with the OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A, which measures may include, but are not limited to, early termination of positions in Party B's account.

15. Termination. Upon occurrence of any of the following events with respect to Party B, Party A may terminate or restrict Party B's central clearing business and terminate this Agreement by giving Party B a written notice of termination of this Agreement ("Early Termination Notice") designating an early termination date ("Early Termination Date"), in accordance with Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A (the Early Termination Date shall be a date not earlier than the date falling twenty (20) business days after delivery of Party A's Early Termination Notice):

- (1) Revocation of the company registration or a winding-up ordered by the Competent Authority;
- (2) Revocation of the business license by the Competent Authority;
- (3) Any adjudication of bankruptcy by a court;
- (4) Failure to perform obligations under the central clearing business;

- (5) A material deterioration of business or financial condition, resulting in an inability to pay Party B's debt or likelihood of occurrence of an event of default;
- (6) Violation of any law or regulation or failure to comply with any administrative order issued by the Competent Authority in accordance applicable law or regulation;
- (7) Violation of Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A, which violation is determined by Party A to be material;
- (8) Failure to act in good faith in the course of conducting central clearing business which would result in damages suffered by others;
- (9) Failure to meet the qualification requirements for acting as a clearing member as required by Party A and, after being requested by Party A, no improvement, or improvement satisfactory to Party A, has been made within the deadline prescribed by Party A;
- (10) Cessation or suspension of business; or
- (11) Breach of this Agreement which is determined by Party A to be material.

Upon occurrence of any of the following events with respect to Party A, Party B may terminate this Agreement by giving Party A an Early Termination Notice and designate an Early Termination Date (the Early Termination Date shall be a date not earlier than the date falling twenty (20) business days after delivery of Party B's Early Termination Notice):

- (1) Revocation of the company registration or a winding-up ordered by the Competent Authority;
- (2) Revocation of the business license by the Competent Authority;

- (3) Any adjudication of bankruptcy by a court; or
- (4) Cessation or suspension of business.

In addition to termination of this Agreement in accordance with the preceding two paragraphs, either party may terminate this agreement by giving the other party an Early Termination Notice designating an Early Termination Date. The Early Termination Date shall be a date not earlier than the date falling twenty (20) business days after delivery of the Early Termination Notice.

Except as otherwise provided by laws or regulations, termination hereof shall not affect the rights or obligations of either party arising or accrued prior to the Early Termination Date.

16. Matters Related to Termination. Upon termination of this Agreement by either party in accordance with the preceding Article, Party B shall complete the following by no later than the Early Termination Date:

- (1) Early close-out or transfer positions in Party B's proprietary account;
- (2) Early close-out or transfer positions in each of Party B's client's account and terminate the relevant client clearing agreement entered into with such client;
- (3) Withdraw or transfer margin deposited in connection with each relevant account; and
- (4) Fully perform all settlement or payment obligations in connection with the above.

In the event of termination of this Agreement by Party A in accordance with the preceding Article, failure by Party B to perform the obligations set out in the preceding paragraph shall not affect the termination of this Agreement on the Early Termination Date. The rights and obligations of Party A and Party B arising from the preceding paragraph shall survive after termination of this Agreement.

Termination by Party B in accordance with the preceding Article shall not be effective unless and until Party B completes the actions required under Paragraph 1, above.

17. Notices. Notices to be given by either party hereunder shall be in writing (by mail, fax or email) to the other party at the address, fax number or email address set out under the signature of the other party. Notices given by courier shall be deemed received upon receipt, notices by postage prepaid registered mail shall be deemed received five (5) days after sending, notices sent by fax shall be deemed received at the time of receipt of confirmation message, and notices sent by email shall be deemed received when sent and receipt of confirmation of delivery.

Any change of address, telephone number, fax number or email address of a party shall be notified to the other party in writing. Changes not notified in accordance with this Agreement shall not be effective against the other party.

18. Disclosure. Party B consents to Party A's disclosure of Party B's relevant information in accordance with Party A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A.

19. Provision of Information to the Taipei Exchange. Party B agrees that Party A may, upon request from the Taipei Exchange ("TPEX"), provide information related to transfer, netting or compression of positions, handling of defaults or other modification or early termination of positions in accordance with A's OTC Operating Rules, related market rules and other applicable regulations, guidelines and announcements governing the central clearing business as promulgated by Party A, to the TPEX derivatives information repository system.

20. Provision of Information to Commodity Futures Trading Commission of the United States (the "U.S."). To the extent that Party B is required to report Swap transaction data to an U.S. Swap Data Repository (SDR) pursuant to 17 CFR Part 45 (SWAP DATA RECORDKEEPING AND REPORTING REQUIREMENTS), Party B shall notify Party A of the identity of the SDR to which such Swap transaction data is reported and, upon Party A's acceptance of a Swap transaction submitted by Party B, Party A will report to the relevant SDR the information on



the cleared Swap transaction and the termination of the original Swap transaction, whereupon no duplicative reporting from Party B is required.

21. Amendment. Any amendment of this Agreement shall only be effective if agreed in writing by both parties.
22. Assignment. Neither party may transfer its rights or obligations hereunder to any other party without the written agreement of both parties.
23. Governing Law and Jurisdiction. This Agreement shall be governed by the laws of the Republic of China (Taiwan). Matters not covered by this Agreement shall be handled in accordance with the Futures Trading Act, applicable regulations promulgated by the Competent Authority, Party A's OTC Operating Rules, related market rules and guidelines and other applicable regulations, guidelines and announcements of Party A governing the central clearing business.

The parties agree that any dispute arising from this Agreement or central clearing of OTC derivatives shall be settled by arbitration and submitted to the Chinese Arbitration Association, Taipei in accordance with the Arbitration Law.

In the event that the relevant arbitrator fails to deliver an arbitration award, the parties agree to submit to the Taiwan Taipei District Court as the court of first instance.

24. Execution. This Agreement shall be executed in three (3) originals, with each party and the Competent Authority holding one original.

**PARTIES:**

**PARTY A:**

**TAIWAN FUTURES EXCHANGE  
CORPORATION**

By: \_\_\_\_\_

Unified Business Number:

Person-in-charge:

National ID No.:

Address: 14/F, No. 100, Roosevelt Rd.,  
Sec. 2, Taipei City

Fax No.:

Email:

**PARTY B:**

**[NAME OF CLEARING MEMBER]**

By: \_\_\_\_\_

Unified Business Number:

Person-in-charge:

National ID No.:

Address:

Fax No.:

Email:

Date:

[Attachment 7] Signature card for OTC clearing and Statement affixed  
with the seal

### Signature card for OTC clearing

Clearing member name		Clearing member code	
Person-in-charge		Unified Business Number	
Person-in-charge title		Seal use start date	
Phone number		Seal use end date	
Registered address			

<b>Seal for authorizing clearing operations</b>

For the Company's application to TAIFEX for clearing operations, only these seals  
are valid. Please retain the certificate for reference.

Best Regards,  
Taiwan Futures Exchange Corporation

[Retained the Ministry of Economic Affairs seal]

Date

## Statement affixed with the seal

The Company hereby declares that the seal on the signature card for TAIFEX clearing operations is the Company's legal and valid seal. For all matters that require the affixing of a seal, the seal will be used and valid. It will be considered a valid legal action of the Company. The Company is willing to bear all responsibilities without objection.

If the Company's seal needs to be cancelled or replaced, the Company will immediately apply for the change through writing to your company. Before your company approves and handles the cancellation or replacement procedures, the original seal will continue to be valid and the Company will bear all responsibilities.

Best Regards,

Taiwan Futures Exchange Corporation

Company name:

Unified business number:

Person-in-charge:

Registered address:

[Retained the Ministry of Economic Affairs seal]

Date

[Attachment 8] OTC Derivatives Clearing Connection Agreement

**Taiwan Futures Exchange**

**OTC Derivatives Clearing Connection Agreement**

The Taiwan Futures Exchange Corporation (hereinafter, "Party A") and \_\_\_\_\_ Co., Ltd. (hereinafter, "Party B"), for the purposes of network connection for OTC derivatives clearing, hereby enter into this Agreement. The two parties agree to the following terms and conditions :

Article 1. After this Agreement takes effect, Party B may connect to Party A's designated OTC derivatives clearing system and conduct OTC derivatives clearing operations. Party B shall abide by the Competent Authority's OTC derivatives clearing regulations and Party A's OTC Derivative Clearing Operating Rules and Enforcement Rules, regulations, announcements, and notices.

Article 2. Before connecting to Party A's system, Party B shall complete the following :

- I. To be equipped with computer software or related facilities to effectively achieve risk management and form internal control and internal audit in writing.
- II. To be equipped with network connection operators and qualified equipment, and follow the designated schedule and method of Party A to complete network connection installation and test procedures.

- Article 3. Once connected to Party A's system, Party B has the obligation to pay Party A regularly a system usage fee in accordance with Party A's Connection Fee Schedule.
- Article 4. Party B shall connect its leased line with its dedicated computers only for the purpose of OTC derivatives clearing business. Party B shall not use them for any other purposes.
- Article 5. Party B shall not increase or decrease the number of leased line without written consent from Party A, and transfer the connection rights or leased line to others either.
- Article 6. Upon the connection established, both parties shall identify the causes and repair as soon as possible in the event of transmission interruptions or network equipment malfunction for other reasons. Neither of the two parties shall be held liable to the other's damages with respect to any loss incurred by either thereby.
- Article 7. Party A has copyright ownership in the data stored in the OTC derivatives clearing system. Party B shall not lend, lease, or sell these data to any third party without Party A's consent.
- Article 8. Party B shall not modify, add, expand, delete, destroy or make any other change to the data stored in the OTC derivatives clearing system without Party A's written consent.
- Article 9. Party A takes no responsibility for the abnormal connection, due to natural disasters, earthquakes, strikes, work slowdown, force majeure or other accidents.
- Article 10. Party B agrees to strictly observe the obligation of confidentiality and shall not disclose to any other party any business data,

information, or other relevant materials of Party A that Party B learns during the performance of this Agreement, nor do anything detrimental to Party A.

Article 11. When Party B is in the event of business suspension during this Agreement, it should still pay the fees as described in the Article 3. Otherwise, Party B has no right to request the connection in accordance with this Agreement after resuming business.

Article 12. If any of the following events occur on Party B, Party A may suspend Party B to access the network or terminate this Agreement :

- I. Having committed a material breach of this Agreement.
- II. Having had the business license revocation or business suspension by the Competent Authority.
- III. Having violated Party A's OTC Derivative Clearing Operating Rules and Enforcement Rules, regulations, announcements, and notices and had clearing operations suspended or the clearing contract terminated by Party A.
- IV. Having had an adverse impact on Party A's system.

Article 13. Party A has the right to amend and replace this Agreement based on the requirements of facts and regulations. Party B shall not refuse.

Article 14. Party B may terminate this Agreement with a month prior written notice to Party A. Party A may terminate this Agreement if Party B is in the events of dissolution, termination of operations, acquisition, bankruptcy, reorganization, or liquidation.

- Article 15. Any disputes arising from this Agreement shall be resolved by arbitration under the Arbitration Law of the Republic of China. If a lawsuit is filed because the arbitration fails or is filed to void the arbitration award, the parties agree that the Taiwan Taipei District Court shall be the jurisdictional court of first instance.
- Article 16. This Agreement shall be effective on signature of both parties
- Article 17. When Party B applies for leased lines to access to Party A's OTC derivatives clearing system after this Agreement takes effect, if Party A agrees, such application documents shall be deemed as part of this Agreement.
- Article 18. This Agreement is executed in duplicate with each party retaining one copy.

#### Parties to the Agreement

Party A: Taiwan Futures Exchange Corporation

Person-in-charge :

Address: 14/F, No. 100, Roosevelt Rd., Sec. 2,  
Taipei City

Party B :

Person-in-charge :

Address:

Date:



[Attachment 9] Declaration stating completeness of tests conducted with TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform

**Declaration stating completeness of tests  
conducted with TAIFEX's OTC clearing system  
and the TAIFEX-approved trade affirmation  
platform**

\_\_\_\_\_ (hereinafter referred to as the Company) is applying to become a clearing member of Taiwan Futures Exchange Corporation (hereinafter referred to as TAIFEX) to handle OTC derivatives clearing operations. The following matters are declared:

A. Starting from (MM) (DD) (YYYY) to (MM) (DD) (YYYY), the Company has tested the connection to the OTC clearing system with TAIFEX and the connection is normal.

<i>Functions</i>	<i>Test normal</i>	<i>Note</i>
1. <i>Clearing Member &amp; Clearing Account Static Data</i>	<input type="checkbox"/>	
2. <i>Trade Affirmation and Submission Management</i>	<input type="checkbox"/>	
3. <i>Position management</i>	<input type="checkbox"/>	
4. <i>Collateral management</i>	<input type="checkbox"/>	
5. <i>Risk management</i>	<input type="checkbox"/>	
6. <i>Clearing procedure</i>	<input type="checkbox"/>	
7. <i>Margin Deposit and Withdrawal</i>	<input type="checkbox"/>	
8. <i>Default Fund Management</i>	<input type="checkbox"/>	
9. <i>Fee and Finance</i>	<input type="checkbox"/>	
10. <i>User management</i>	<input type="checkbox"/>	
11. <i>KCCP Procedure</i>	<input type="checkbox"/>	

B. Starting from (MM) (DD) (YYYY) to (MM) (DD) (YYYY), the Company has tested the connection to the TAIFEX trade affirmation platform and the connection is normal.

<i>Name of the trade affirmation platform</i>	<i>Test normal</i>	<i>Note</i>
<i>Taipei Exchange Derivatives Trade Database</i>	<input type="checkbox"/>	
<i>MarkitSERV</i>	<input type="checkbox"/>	

Best Regards,  
Taiwan Futures Exchange Corporation

Company name:

Unified business number:

Person-in-charge:

Registered address:

Responsible person for testing:

[Retained the Ministry of Economic Affairs seal]

Date

[Attachment 10] Accounting example for OTC derivatives clearing operations

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
<p>1. Contribute to the OTC derivatives default fund</p> <p>Clearing member delivers the OTC derivatives default fund to the clearing institution</p>	<p>Dr. Other assets - OTC derivatives default fund Cr. Cash and cash equivalents (or) Cash in banks</p>		<p>1. The futures merchant contributes to the OTC derivatives default fund</p> <p>Deliver the clearing and settlement fund to the clearing institution</p>	<p>Dr. OTC derivatives default fund Cr. Cash in banks</p>	/	
<p>2. Payment of the initial margin or additional margins</p> <p>(1) The clearing member shall transfer the initial margin or additional margins into the settlement bank account</p>	<p>Dr. Cash and cash equivalents (or) Cash in banks (OTC derivatives proprietary clearing margin account) Cr. Cash and cash equivalents (or)</p>	<p>Dr. Cash and cash equivalents (or) bank deposits (OTC derivatives proprietary clearing margin account) Cr. Cash and cash equivalents (or)</p>	<p>2. Payment of the futures trading margin</p> <p>(1) Clearing members: Transfer into the proprietary clearing margin account</p>	<p>Dr. Cash in banks (proprietary clearing margin account) Cr. Cash in banks (other proprietary funds account)</p>		

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
(2) The clearing member shall deliver the initial margin or additional margins to the clearing institution	Cash in banks (other proprietary funds account)  Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds  Cr. Cash and cash equivalents (or) Cash in banks (OTC derivatives proprietary clearing margin account)	Cash in banks (other proprietary funds account)  Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds  Cr. Cash and cash equivalents (or) Cash in banks (OTC derivatives proprietary clearing margin account)	(2) Deliver the margin to the clearing institution	Dr. Futures trading margin - proprietary funds  Cr. Bank deposits (proprietary clearing margin account)	/	

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
3. Recognize the daily variation margin and mark-to-market difference (1) Gains on valuation	Dr. Financial assets(liabilities) at fair value through profit and loss Cr. Unrealized gains(losses) on financial assets (liabilities) at fair value through profit or loss (This journal entry will be reversed at the beginning of the next day)	Dr. Financial assets(liabilities) at fair value through profit and loss Cr. Realized gains(losses) on financial assets(liabilities) at fair value through profit or loss	3. Recognize the open positions of the current day - Non-hedging purposes (1) Gains:	Dr. Futures trading margin - proprietary funds Cr. Futures contract profit and loss - Non-hedging unrealized (This journal entry will be reversed at the beginning of the next day)	Dr. Derivative asset Cr. Trading P&L	Dr. Derivative asset Cr. Trading P&L
(2) The daily mark to market is recorded as gains, increasing	Dr. Other assets - refundable deposits - OTC clearing margin -	Dr. Other assets - refundable deposits - OTC clearing margin -			Dr. Cash Cr. Payable Due to CCP	Dr. Cash Cr. Derivative asset

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
margin equity	proprietary funds Cr. Financial assets (liabilities) at fair value through profit and loss valuation adjustment - CCP margin	proprietary funds Cr. Financial assets(liabilities) at fair value through profit and loss				

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
(3) Losses on valuation	Dr. Unrealized losses(gains) on financial assets(liabilities) at fair value through profit or loss Cr. Financial liabilities (assets) at fair value through profit and loss: (This journal entry will be reversed at the beginning of the next day)	Dr. Realized losses(gains) on financial assets(liabilities) at fair value through profit or loss Cr. Financial liabilities (assets) at fair value through profit and loss:	(2) Loss:	Dr. Futures contract loss - Non-hedging unrealized Cr. Futures trading margin - proprietary funds (This journal entry will be reversed at the beginning of the next day)	Note	Note
(4) The daily mark to market is recorded as loss, decreasing margin equity	Dr. Financial liabilities (assets) at fair value through profit and loss valuation adjustment - CCP margin Cr. Other assets -	Dr. Financial liabilities (assets) at fair value through profit and loss: Cr. Other assets - refundable deposits - OTC clearing margin -				

**Note: ISDA has only provided examples of gains on valuation.**

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
	refundable deposits - OTC clearing margin - proprietary funds	proprietary funds				
4. Recognized realized gain and loss - Using IRS as an example (1) Interest exchange (pay net payment)	Dr. Realized losses(gains) on financial assets(liabilities) at fair value through profit or loss Cr. Financial assets (liabilities) at fair value through profit and loss valuation adjustment - CCP	Handled in the same way as Item 3 Recognized daily mark- to-market profit and loss accounting.	4. Recognize the closed positions of the current day - Non-hedging purposes (1) Gains:	Dr. Futures trading margin - proprietary funds Cr. Futures contract profit and loss - Non-hedging realized		



Suggested accounting method for OTC derivatives clearing		Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries		
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
(2) Interest exchange (receive net payment)	Dr. Financial assets (liabilities) at fair value through profit and loss valuation adjustment - CCP Cr. Realized gains(losses) on financial assets(liabilities) at fair value through profit or loss		(2) Loss:	Dr. Futures contract loss - Non-hedging realized Cr. Futures trading margin - proprietary funds	/	
5. PAI (price alignment interest)/PAA (price alignment amount) deposited (1) PAI/PAA (Payer)	Dr. Interest expenses Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds	Dr. Realized losses(gains) on financial assets(liabilities) at fair value through profit or loss	/		Dr. Interest expense(PAI) Loans: Cash	Dr. Trading P&L Loans: Cash

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
(2) PAI/PAA (Receiver)	Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds Cr. Interest revenue	Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds  Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds  Cr. Realized gains(losses) on financial assets(liabilities) at fair value through profit or loss	/	/		
6. Recognized clearing and settlement service fees	Dr. Clearing and settlement service fee Cr. Cash and cash equivalents (or) Cash in banks (or) accounts payable		5. Recognized clearing and settlement service fees of futures trading	Dr. Clearing and settlement service fee - Futures Cr. Cash in banks (proprietary clearing margin	/	

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
				account) (or) accounts payable	/	
7. Apply to the clearing institution to withdraw excess margins	Dr. Cash and cash equivalents (or) Cash in banks Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds	Dr. Cash and cash equivalents (or) Cash in banks Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds	6. Apply to the clearing member/futures merchant clearing institution to withdraw excess margins	Dr. Cash in banks (proprietary clearing margin account) Cr. Futures trading margin - proprietary funds	/	
8. Paying the margin different to the clearing institution	Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds Cr. Cash and cash equivalents (or) Cash in banks	Dr. Other assets - refundable deposits - OTC clearing margin - proprietary funds Cr. Cash and cash equivalents (or) Cash in banks	7. Paying the margin different to the clearing institution	Dr. Futures trading margin - proprietary funds Cr. Cash in banks (proprietary clearing margin account)	/	

Suggested accounting method for OTC derivatives clearing			Reference document: Accounting template for futures commission merchant		Reference document: ISDA illustrative journal entries	
Trading matters	Clearing Member		Trading matters	Clearing Member futures merchant	CTM model	STM model
	CTM model	STM model				
9. Converting excess margins to bank deposits	Dr. Cash and cash equivalents (or) Cash in banks Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds	Dr. Cash and cash equivalents (or) Cash in banks Cr. Other assets - refundable deposits - OTC clearing margin - proprietary funds	8. Converting the excess margins of futures trading margins to bank deposits	Dr. Cash in banks Cr. Futures trading margin - proprietary funds	/	