



Taiwan Futures Exchange

OTC Derivatives Clearing Member Manual

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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. 10803195266 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 schedule

Section 1 Clearing service content

TAIFEX has provided 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 has provided client clearing for TWD interest rate swaps (IRS) and TWD non-delivery forward (NDF) since July 31, 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 provides 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

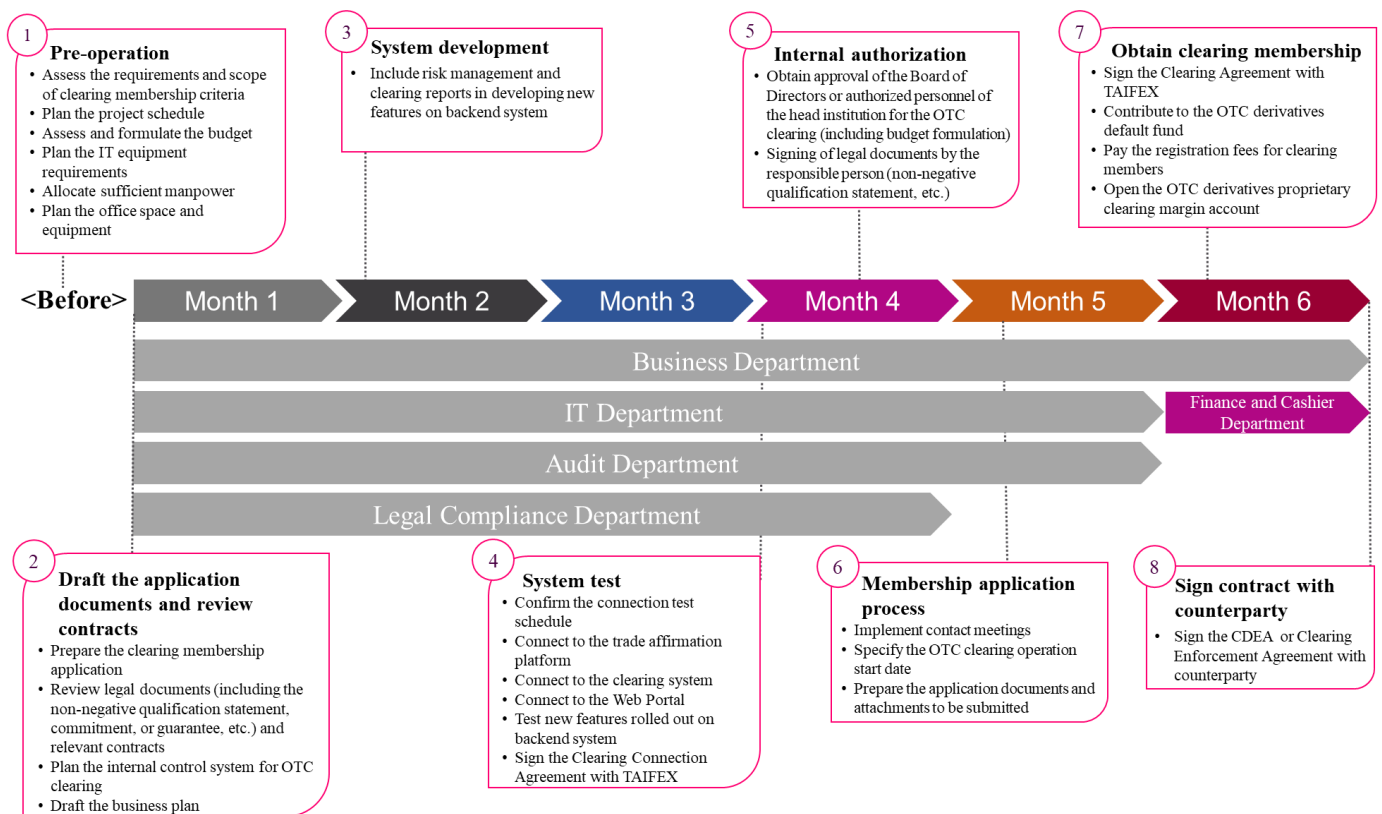
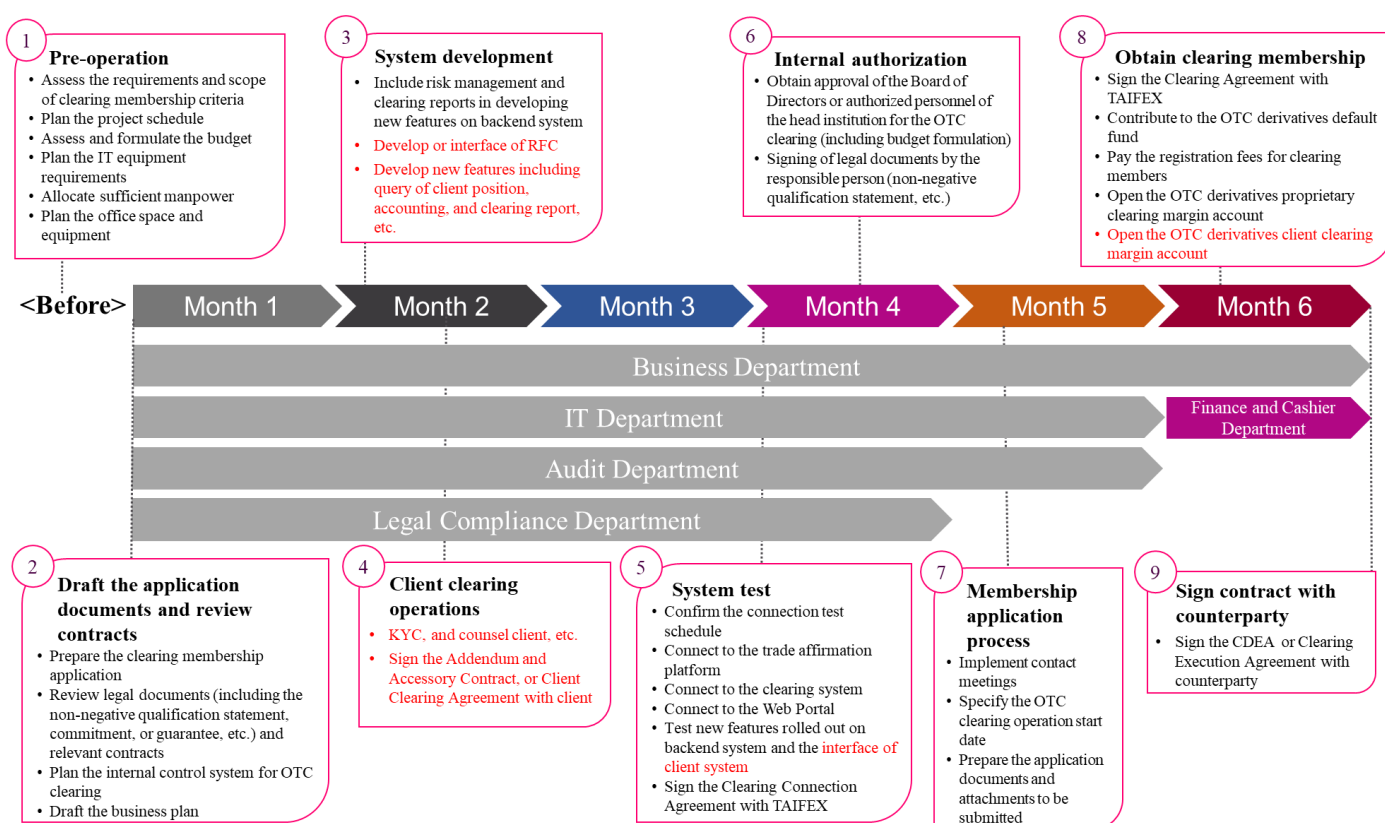


Figure2: General Clearing Member



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:

	Individual Clearing Member	General Clearing Member
Identity qualifications	Companies approved by the Competent Authority to engage in derivatives trading or handle derivatives operations, and have obtained TAIFEX clearing membership qualifications.	
Business Scope	Handle clearing operations of proprietary OTC derivatives	Handle clearing operations of proprietary and client OTC derivatives
Minimum paid-in capital requirement	<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
Financial structure requirements	<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>

	Individual Clearing Member	General Clearing Member
	<p>than 8%.</p> <p>(5) Futures commission merchant that concurrently operates as a leverage transaction merchant:</p> <p>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:</p> <p>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:</p> <p>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>

	Individual Clearing Member	General Clearing Member
	<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>	
OTC derivatives default fund	<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>

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

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. After receiving the application, TAIFEX will review the following documents:

Application documents

- (1) An application for clearing membership
- (2) Document evidencing company registration
- (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) 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
- (4) A list of supervisors in charge of clearing operations of OTC derivatives and specialists conducting clearing operations

Financial documents	(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
Legal documents	(1)	Declaration of non-violation of any disqualification
	(2)	Commitment letter ¹ or guarantee letter ²
	(3)	Declaration stating completeness of tests conducted with TAIFEX's OTC clearing system and the TAIFEX-approved trade affirmation platform

B. Application document review

- (1) After TAIFEX accepts the OTC clearing member 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

¹ 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.

² 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.

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 ³ (NT\$300,000⁴).
- (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 derivatives clearing margin accounts.

The applicant shall complete the following documents and submit to TAIFEX 10 business days before the planned start date for OTC clearing operations, and the start date shall be specified.

Legal documents

- (1) Clearing Agreement stamped with signature

Clearing operations

- (1) Signature card
- (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

³ The registration fees for clearing members is an one-time fee.

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

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	(02) 2369-5222#207 Ms. Liao	(02) 2348-1835 Business Operations Division Mr. He
2	Hua Nan Commercial Bank Nanmen Branch	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	(02) 2321-7111#123 Mr. Tsai	(02) 2321-7111#169 Vice President Ms. Zhao
3	Chang Hwa Bank Headquarters branch	Taiwan dollar US dollar Book-entry central government bonds	(02) 2551-4256 #1022 Ms. Su (domestic and foreign currencies) #1651 Ms. Zhou (government bond)	(02) 2536-2951#2172 Product Planning Division Mr. Lu
4	Cathay United Bank Taipei Main Station Branch	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	(02) 2312-5555 #1011 Ms. Song (domestic and foreign currencies) #1113 Ms. Huang (government bonds)	(02) 2571-0168 #1659 Mr. Liao #1612 Ms. Tsai
5	Mega International Commercial Bank Foreign Department	Taiwan dollar Foreign currency (multiple currencies) Book-entry central government bonds	(02) 2563-3156 #2432 Ms. Hong (domestic and foreign currencies) #2321 Mr. Hong (government bond)	(02) 2563-3156#2386 Junior Manager Ms. 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.

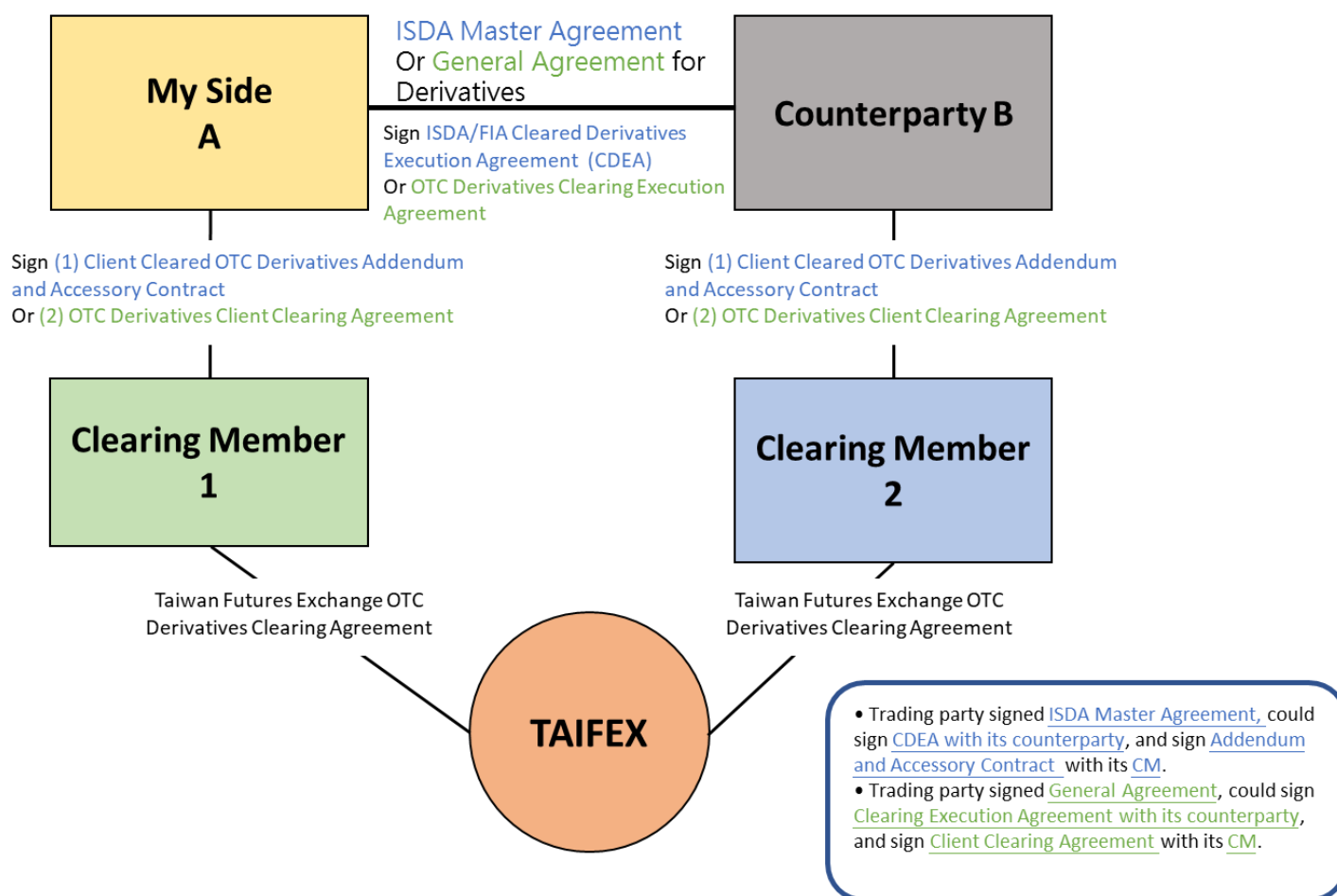
If you have any problems related to the clearing membership application process, please contact the Clearing Department of TAIFEX:

(02) 2366-3187 Ms. Chen

(02) 2366-3112 Ms. Yeh

(02) 2366-3102 Ms. Chang

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 provides the sample Accessory Contract for reference (refer to Chapter 5) 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

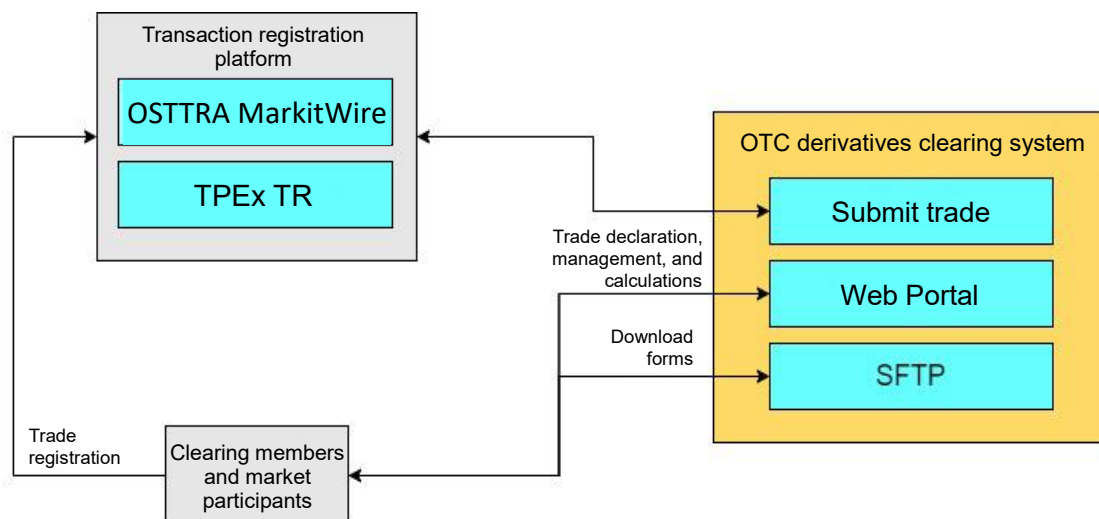
Derivatives Client Clearing Agreement' (hereinafter referred to as Client Clearing Agreement) with its client.

TAIFEX provides the sample Clearing Execution Agreement and Client Clearing Agreement for reference (refer to Chapter 5).

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 (OSTTRA MarkitWire 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 OSTTRA MarkitWire trade registration platform, please contact:

Clinton Mak

+60 19 592 5589

clinton.mak@osttra.com

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

Mr. Wu

(02) 2366-6153

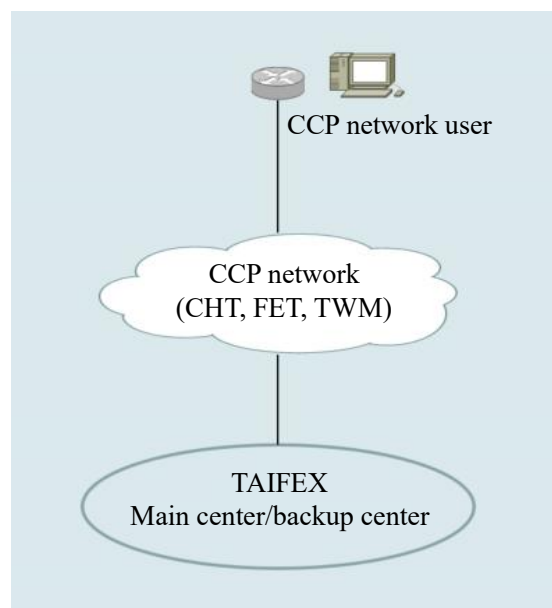
pjwu@tpex.org.tw

Mr. Wu

(02) 2366-6149



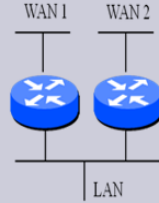
williamwu@tpex.org.tw

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. Ho

(02) 8071-8028

Mr. Chen

(02) 8071-8025

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) • INSTALLATION FEE/INSTANCE NT\$2,650 • MONTHLY FEE/DEVICE NT\$2,500
1M	NT\$3,000	NT\$4,350	
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)
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 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.
3. Once the telecom company completes installation and IP address

configuration, connection to the clearing system will be established.

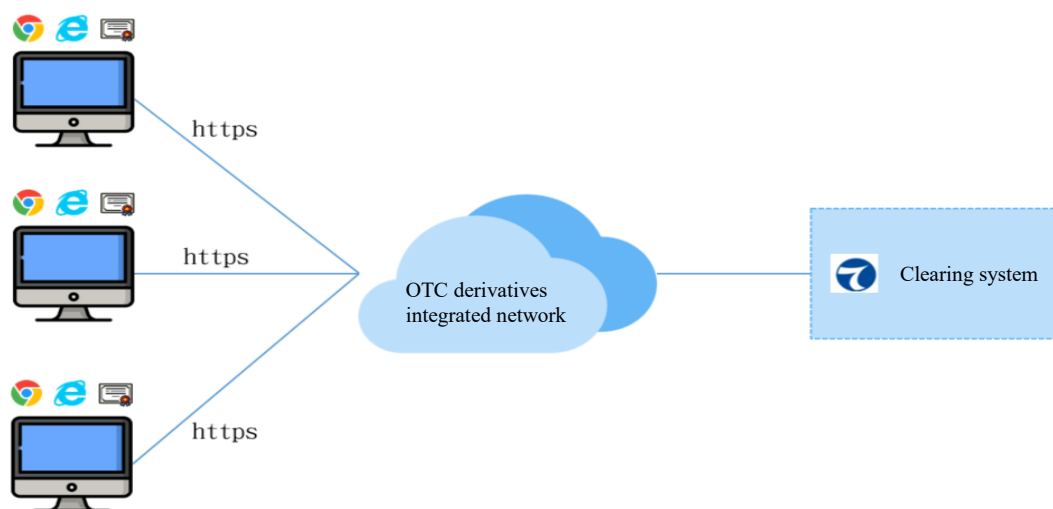
To download the aforementioned application letter template and leased line application forms, please visit the TAIFEX website: (<https://www.taifex.com.tw/cht/8/techDocsDetails?idx=52>)

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	NT\$420	Each card

(valid for 5 years)		
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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

臺灣期貨交易所
TAIWAN FUTURES EXCHANGE

卡片憑證 / IC Certificate 軟體憑證 / Digital Certificate

請輸入PIN碼/Please Input PIN

憑證登入/Cert Login

取消/Cancel

(5) Successful login⁵



2. Account information maintenance

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

User Management / Account Management

Username

Dept

Email

Status

Active

Group

Name

Team

Telephone

Km

Member

☐ Undertaker
 ☐ Approve

t

ALL_GROUP

<- Move In

Move Out ->

Save

Cancel

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

⁵ The account administrator must login and register certificate information for the first login.

be registered.

- Add/delete certificates.

User Management / **Certificate Management**

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.

Clearing Member ID

Certificate Carrier

Authentication Type

Authentication Code

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

(02) 2366-3262 Ms. Chu

Section 6 Web portal functions

The functions of the web portal provided to clearing members by TAIEX are described below⁶:

(1) Platform Management

- Audit Record
- Initiated items
- Announcement List
- User Account / Password

(2) Clearing Member & Clearing Account Profile

- Clearing Member Profile
- Clearing Account Profile
- Daily Settlement Type for Clearing Account Management

(3) Trade Affirmation and Submission

- Daily Real-time Novation Status

⁶ Please refer to “TAIEX OTC Derivatives Clearing System Web Portal user handbook”. (TAIEX website Home > News > OTC Derivatives Clearing Information)

- Daily Backloading Novation Status
- Account Cleared Transaction Status
- Client Position Limits Dashboard
- Client's Position Overview
- (4) Position Management
 - Position Netting Management
 - Position Transfer Management
 - Compression Management
- (5) Collateral Management
 - Security Static Data Query
 - Clearing Account Security Margin Balance Query
 - Exchange Rate Query
 - Interests on Bonds Query
 - Client Margin Accounts Query / Maintenance
 - Historical Client Margin Accounts Query
- (6) Risk Management
 - Quotes Management (CM Provided)
 - Valuation Curve Management
 - Margin Check for the trades submitted to clearing
 - NPV, Margin Query
 - Fixing Rate Query
 - Margin Deposit Notification Query
 - Margin Simulation (Portfolio basis)
 - Margin Simulation (per-transaction basis)
- (7) Clearing Procedure
 - Settlement Report of Single Cleared Transaction
 - Settlement Report of Single Clearing Account

- Settlement Report of Clearing Member
 - Historical Settlement Report of Single Cleared Transaction
 - Historical Settlement Report of Single Clearing Account
 - Historical Settlement Report of Clearing Member
- (8) Margin Deposit and Withdrawal
- Account Numbers for Cash Deposit Query
 - Cash Deposit Application
 - Security Deposit Application
 - Cash and Security Withdrawal Application
 - Foreign Exchange Settlement Agent Service Application
 - Default Fund Balance Query
 - Fund Transfer Application
- (9) Position Concentration
- Position Concentration Query
- (10) Default Fund Management
- Default Fund Contribution Deposit / Withdrawal Notification
- (11) Auction Platform
- Auction List
 - Bidding Results
 - Non-obligation Auction Participants Apply for Auction Qualifications Query
 - Customer Default Declaration
 - Non-obligation Auction Participants Apply for

Auction Qualifications

- Position Transfer Application of Non-default Clients of Default Clearing Members

(12) Fee and Finance

- Clearing Service Fee Daily Report
- Clearing Service Fee Monthly Report
- Securities As Administrative Fee Monthly Report
- Clearing Member Cash Collateral Interest Daily Report
- Clearing Member Cash Collateral Interest List
- Default Fund Interest List
- Details of Withholding Voucher
- Clearing Account Clearing Service Fee Monthly Report
- Clearing Account Cash Collateral Interest List
- Clearing Account Cash Collateral Interest Daily Report
- Invoice

(13) Report Download

- Clearing Connection Fee Report
- Account Status Query

(14) User Management

- Account Management
- Group Management
- Certificate Management
- SFTP
- User Account / Password

- AMQP
- Notification list management
- Account Status Query
- (15) Client Management
 - Client Administrator Account
- (16) KCCP Calculation Operation
 - KCCP Calculation Result
- (17) SDR Reporting
 - SDR Reporting
 - Historical SDR Report

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

- (1) Platform Management
 - Change Password
- (2) Position Overview
- (3) Margin Overview
 - Securities
 - Margin Balance and Settlement Amount
- (4) Dummy Trades Margin Simulation
 - Margin Simulation (Portfolio basis)
 - Margin Simulation(per-transaction basis)
- (5) Report Download
 - Account Status Query
- (6) User Management
 - Account Management

- Group Management
- Certificate Management
- Change Password
- Account Status Query

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.

The screenshot shows the 'User Management / SFTP' page. On the left is a sidebar with a 'Back to Home Page' link and a 'User Management' menu. The menu includes 'Account Management', 'Group Management', 'Voucher Management', 'SFTP' (highlighted with a red box), and 'User Account/Password'. The main content area shows a table of users with columns: account, name, tel, email, apply time, status, modify type, and Manipulation (with sub-columns Detail, Update, Delete). There are two users listed: ftp_user and ftp_user2. An 'Add' button is in the top right corner.

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

The screenshot shows the 'Add account application' form. It includes fields for: cmNo (9999999), Client IP (10.111.0.32), password, password again, Public Key, name, tel, and email. There are 'Submit' and 'Return' buttons at the bottom right.

(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)⁷¹:



For information on SFTP connection settings, password policies, and report specifications, please refer to the latest version of the SFTP Report Service Specifications on our company's website under Clearing Services > OTC Derivatives Clearing > Notice page.

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

(02) 2366-3135 Mr. Lo

⁷¹1. 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. 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 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 or equal to the Deposited Margin and limit, 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 TAIEX 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)	ccpamqp1.taifex.com.tw
AMQP Broker (Backup)	Ccpamqp2.taifex.com.tw
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 TAIEX:

(02) 2366-3397 Mr. Yu

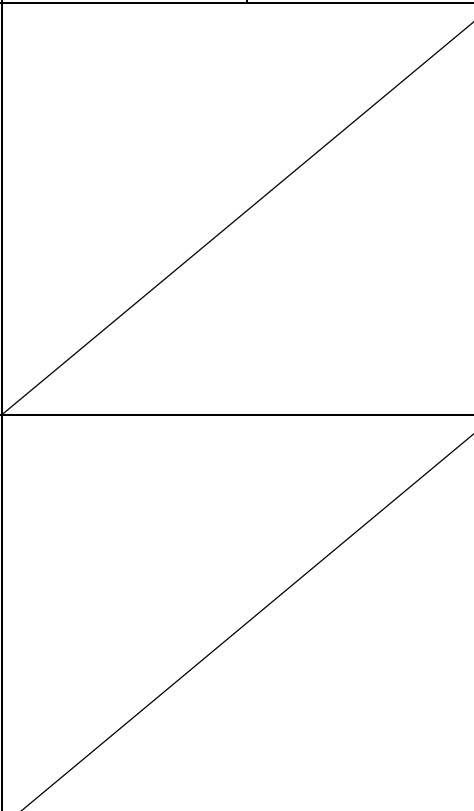
Chapter 5 Attachment

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.

To download the clearing member application forms and relevant legal documents, please visit the TAIFEX website:

- (1) Home > Clearing > OTC Derivatives Clearing > Clearing Member
> Clearing Member Application Form Download
- (2) Home > Clearing > OTC Derivatives Clearing > Rules and
Regulations

[Attachment] 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				
1. Contribute to the OTC derivatives default fund Clearing member delivers the OTC derivatives default fund to the clearing institution	Dr. Other assets - OTC derivatives default fund Cr. Cash and cash equivalents (or) Cash in banks		1. The futures merchant contributes to the OTC derivatives default fund Deliver the clearing and settlement fund to the clearing institution	Dr. OTC derivatives default fund Cr. Cash in banks		
2. Payment of the initial margin or additional margins (1) The clearing member shall transfer the initial margin or additional margins into the settlement bank account	Dr. Cash and cash equivalents (or) Cash in banks (OTC derivatives proprietary clearing margin account) Cr. Cash and cash equivalents (or)	Dr. Cash and cash equivalents (or) bank deposits (OTC derivatives proprietary clearing margin account) Cr. Cash and cash equivalents (or)	2. Payment of the futures trading margin (1) Clearing members: Transfer into the proprietary clearing margin account	Dr. Cash in banks (proprietary clearing margin account) Cr. Cash in banks (other proprietary funds 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				
(2) The clearing member shall deliver the initial margin or additional margins to the clearing institution	Cash in banks (other proprietary funds account)	Cash in banks (other proprietary funds account)	(2) Deliver the margin to the clearing institution	Dr. Futures trading margin - proprietary funds Cr. Bank deposits (proprietary clearing margin 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)	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)				

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				

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		