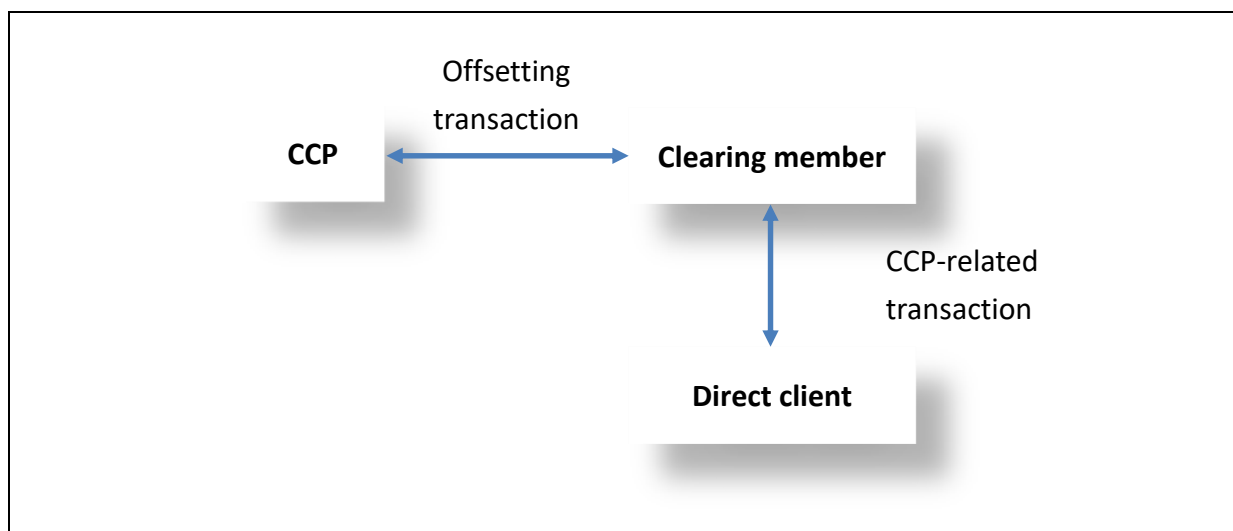


Reporting arrangements for an AI's default risk exposures to clearing members or clearing clients arising from offsetting transactions or CCP-related transactions

Scenario 1: A transaction which is not cleared by means of a multi-level client structure



1.1 AI as clearing member

The AI should report–

- ♦ its default risk exposure to the direct client in respect of the clearing member-client leg (i.e. the CCP-related transaction) in Part IIIa, IIIb or IIIc, as the case requires; and
- ♦ its default risk exposure to the CCP in respect of the CCP-clearing member leg (i.e. the offsetting transaction) in Part IIIe.

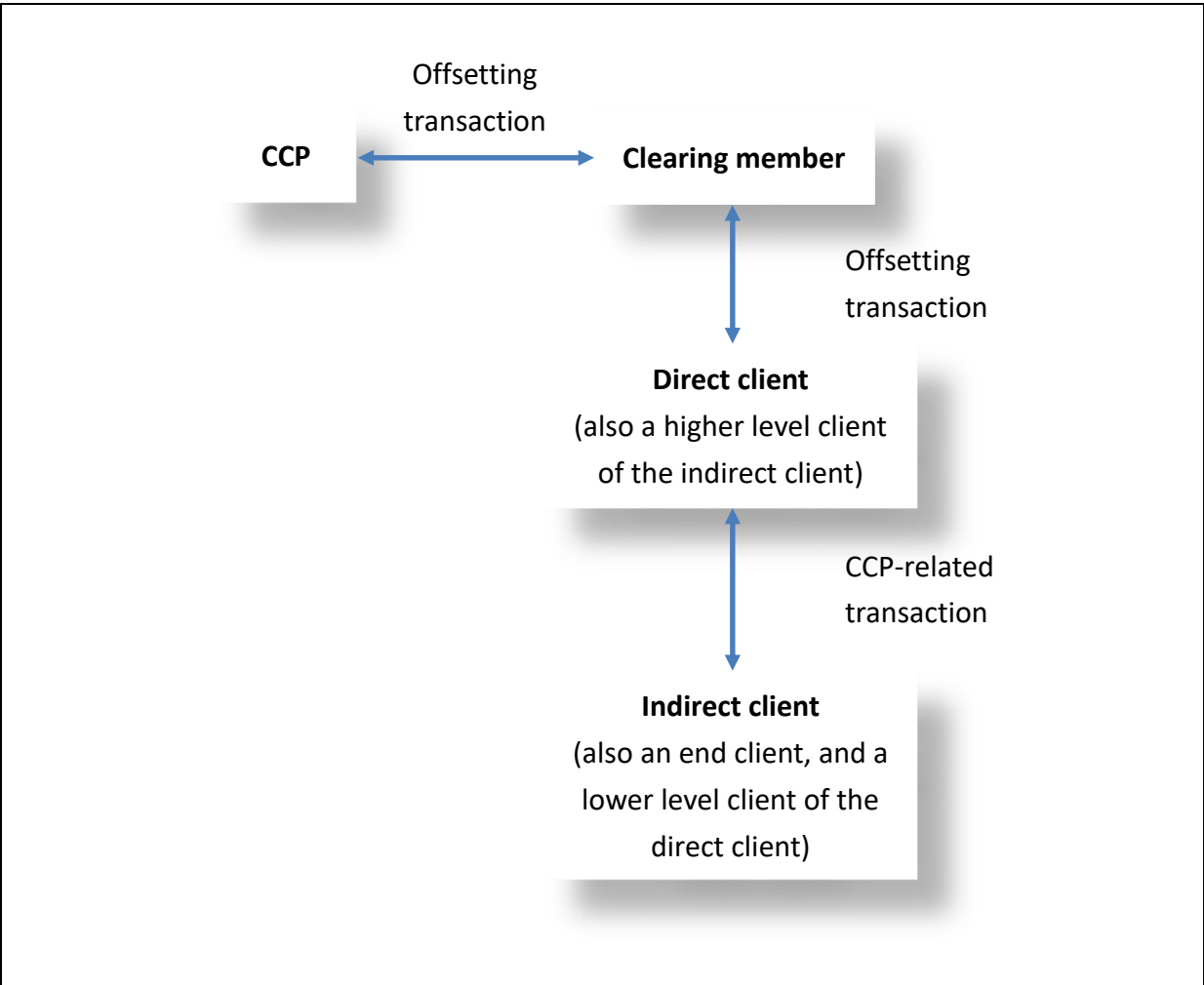
1.2 AI as direct client

The AI should report its default risk exposure to the clearing member in respect of the CCP-related transaction in Part IIIa, IIIb or IIIc, as the case requires.

However, the AI may treat the exposure as a default risk exposure to the CCP and report the exposure in Part IIIe if–

- ♦ the CCP is a qualifying CCP; and
- ♦ the conditions set out in section 226ZA(6), or section 226ZA(6) except section 226ZA(6)(a)(iii), are met.

Scenario 2: A transaction cleared by means of a multi-level client structure



2.1 AI as clearing member

The AI should report–

- ♦ its default risk exposure to the direct client in respect of the offsetting transaction with the direct client in Part IIIa, IIIb or IIIc, as the case requires; and
- ♦ its default risk exposure to the CCP in respect of the offsetting transaction with the CCP in Part IIIe.

2.2 AI as direct client

The AI should report in Part IIIa, IIIb or IIIc, as the case requires–

- ♦ its default risk exposure to the indirect client in respect of the CCP-related transaction; and
- ♦ its default risk exposure to the clearing member in respect of the offsetting

transaction with the clearing member.

However, the AI may treat its default risk exposure to the clearing member as a default risk exposure to the CCP and report the exposure in Part IIIe if–

- ◆ the CCP is a qualifying CCP; and
- ◆ the conditions set out in section 226ZA(6), or section 226ZA(6) except section 226ZA(6)(a)(iii), are met.

2.3 AI as indirect client

The AI should report its default risk exposure to the direct client in respect of the CCP-related transaction in Part IIIa, IIIb or IIIc, as the case requires.

However, the AI may treat the exposure as a default risk exposure to the CCP and report the exposure in Part IIIe if–

- ◆ the CCP is a qualifying CCP; and
- ◆ the conditions set out in section 226ZA(6), or section 226ZA(6) except section 226ZA(6)(a)(iii), are met for the arrangements among the CCP, the clearing member, the direct client and the AI (see BCR section 226ZBA(5)).