

**TAIFEX SUPPLEMENT TO ADDENDUM ANNEX TO
CLIENT CLEARED OTC DERIVATIVES ADDENDUM
("TAIFEX SUPPLEMENT")^{1/}**

This **TAIFEX** Supplement supplements and forms part of the Addendum Annex to the Client Cleared OTC Derivatives Addendum dated as of [DATE] between [Name of Clearing Member] ("Clearing Member") and [Name of Client] ("Client") (as may be amended and supplemented by the parties from time to time, the "Addendum") with respect to the clearing of Clearing Eligible Taiwan Trades (defined below) on the Taiwan Futures Exchange ("TAIFEX") under the "Taiwan Futures Exchange OTC Derivatives Clearing Operating Rules" and "Taiwan Futures Exchange OTC Derivatives Clearing Enforcement Rules" (each a "TAIFEX Cleared Transaction").

Unless otherwise specifically agreed between the Parties, this TAIFEX Supplement shall apply solely in respect of TAIFEX Cleared Transactions.

The parties to this TAIFEX Supplement agree that the following shall be inserted under Part 5 of the Addendum Annex:

1. **INTERPRETATION.** Capitalized terms not otherwise defined in the Supplement shall have the same meaning as set out in the Addendum and/or the TAIFEX Rules (defined below), as applicable. As used herein, the following Capitalized terms shall have the following meanings:
 - (a) "Agreed CCP Service" shall mean the over-the-counter derivatives central clearing service offered by TAIFEX.
 - (b) "Clearing Eligible Taiwan Trade" shall mean any over-the-counter interest rate swap or non-deliverable forward transaction eligible for central clearing in accordance with the requirements under TAIFEX Rules (defined below) using the Agreed CCP Service.
 - (c) "Client Required Margin" shall mean the margin required to be posited with TAIFEX with respect to the Client's TAIFEX Cleared Transactions.
 - (d) "MTM Difference" shall mean the mark-to-market difference as defined in the TAIFEX Rules.
 - (e) "Price Alignment Amount (PAA)" shall mean PAA as defined in the TAIFEX Rules.
 - (f) "Price Alignment Interest (PAI)" shall mean PAI as defined in the TAIFEX Rules.

^{1/} ***This is a sample template only. The parties will need to modify, as appropriate, to conform to the agreements between the parties and their business intent and should consult their own counsel regarding such modifications.***

- (g) "TAIFEX Rules" shall mean the "Taiwan Futures Exchange OTC Derivatives Clearing Operating Rules", the "Taiwan Futures Exchange OTC Derivatives Clearing Enforcement Rules", and related guidelines and interpretations promulgated thereunder, all as amended from time to time.
- (h) "Variation Margin" shall mean the variation margin as defined in the TAIFEX Rules.
2. **INCONSISTENCY**. Clause 1(b)(ii) of the Addendum shall be deleted and replaced with the following:
- "In the event of any inconsistency between the terms of the Clearing Agreement and the TAIFEX Rules, the TAIFEX Rules shall prevail."
3. **CLIENT UNDERTAKING**. Prior to any Clearing Eligible Taiwan Trade being submitted for clearing on TAIFEX, the Clearing Member shall have received from the Client, and delivered to TAIFEX, a written client statement in the TAIFEX prescribed form^{2/}.
4. **SUBMISSION FOR CLEARING^{3/}**. (a) Clearing Submission. The Client shall submit (or appoint a broker acting on behalf of the Client to submit) the relevant Clearing Eligible Taiwan Trade to TAIFEX for clearing by no later than [specify time] [on the day] on which such Clearing eligible Taiwan Trade is entered into.
- (b) Clearing Acceptance and Rejection. Notwithstanding Section 3(g) of the Addendum, subject to receipt of a [written] request from the Client to do so by [specify time] [on the day] on which the relevant Clearing Eligible Taiwan Trade is entered into, the Clearing Member shall accept the submission by (or on behalf of) the Client of such Clearing Eligible Taiwan Trade to TAIFEX for clearing; provided, that:
- (i) The Clearing Member will refuse to accept the submission of a Clearing Eligible Taiwan Trade for clearing on TAIFEX if (A) the aggregate amount of Client Margin posted by the Client is less than the amount of Client Margin plus any Additional Margin required to be posted by the Client with the Clearing Member or (B) the Client has failed to perform any clearing and settlement obligations under the TAIFEX Rules; and
- (ii) The Clearing Member is also entitled to refuse to accept the submission of a Clearing Eligible Taiwan Trade for clearing on TAIFEX if the Clearing Member has determined, in the sole good faith judgment of the Clearing member, that (A) the financial condition of the Client or the

^{2/} Article 3.3.2 of the TAIFEX Enforcement Rules.

^{3/} Article 3.3.5 of the TAIFEX Enforcement Rules.

risk level of such Clearing Eligible Taiwan Trade is inappropriate for clearing and/or (B) such Clearing Eligible Taiwan Trade is likely to impact Taiwan market order or prejudice public interest.

(c) Notification of Refusal. If the Clearing Member refuses to accept the submission of a Clearing Eligible Taiwan Trade for clearing on TAIFEX in accordance with Paragraph 4(b), above, the Clearing Member shall immediately notify the Client and TAIFEX of such refusal and the reason therefor.

(d) Confirmation of Clearing. If a Clearing Eligible Taiwan Trade is submitted by (or on behalf of) the Client for clearing on TAIFEX and TAIFEX accepts such Clearing Eligible Taiwan Trade, within one (1) hour after receipt of such acceptance from TAIFEX, the Clearing Member shall confirm or reject the TAIFEX acceptance, as applicable, and notify the Client accordingly [*in writing/via email/via electronic messaging*].

5. **CLIENT MARGIN.** (a) Advance Margin. Prior to the Client (or appoint a broker acting on behalf of the Client) submitting any Clearing Eligible Taiwan Trade for clearing on TAIFEX, the Client shall post the Client Required Margin and any required Additional Margin with the Clearing Member^{4/}.

(b) TAIFEX Account^{5/}. The Clearing Member will open with TAIFEX an Individual Client Account on behalf of the Client. The Client agrees that the Client Required Margin delivered by the client to the Clearing Member:

☐ shall be delivered to TAIFEX in its entirety.

☐ is not required to be delivered to TAIFEX in its entirety.

(c) Eligible Margin. Client Margin may be cash in a currency approved by TAIFEX ("Approved Currency"), book-entry Taiwan central government bonds or other securities approved by TAIFEX; provided that, where the Client is an Offshore Chinese or Foreign National, Client Margin shall be cash in an Approved Currency other than NT Dollars^{6/}.

(d) Margin Amount. The amount of Client Margin posted by the Client with the Clearing Member shall be not less than the amount of Client Required Margin to be posted by the Clearing Member with TAIFEX, plus the amount of Additional Margin as notified by the Clearing Member to the Client from time to time based on the credit condition of the Client and the nature of the relevant Clearing Eligible Taiwan Trades^{7/}.

^{4/} Article 31 of the TAIFEX Operating Rules.

^{5/} Article 14 of the TAIFEX Operating Rules.

^{6/} Article 7.2.1 of the TAIFEX Enforcement Rules.

^{7/} Articles 32 and 33 of the TAIFEX Operating Rules.

(e) Top-Up Margin. If the balance of Client Margin held by the Clearing Member falls below the amount of Client Required Margin plus Additional Margin required hereunder, then, after receipt of a [written] request from the Clearing Member setting out in reasonable detail the calculation of required additional Client Margin ("Top-Up Margin") and the deadline for posting such Top-Up Margin ("Margin Call Deadline"), the Client shall, prior to such Margin Call Deadline, post with the Clearing Member such Top-Up Margin in an amount such that the amount of Client Margin held by the Clearing Member is not less than the Client Required Margin plus Additional Margin required hereunder. The parties agree that calculation of the amount of To-Up Margin shall be done using the below formula:

[INSERT FORMULA FOR CALCULATION OF ADDITIONAL MARGIN]

If the Client fails to deliver the Top-Up Margin on or before the Margin Call Deadline and the Clearing Member is required to post the amount equal to the amount the Client failed to deliver with TAIFEX using the Clearing Member's own funds in accordance with the TAIFEX Rules^{8/}, the Client shall, immediately upon demand from the Clearing Member, deliver to the Clearing Member the amount so posted by the Clearing Member with TAIFEX, together with interest accrued thereon from the Margin Call Deadline to the time of actual delivery, calculated at *[INSERT AGREED INTEREST RATE]*.^{9/}

(f) Withdrawal of Margin^{10/}. If at any time the balance of Client Margin held by the Clearing Member exceeds the amount of Client Required Margin plus Additional Margin required hereunder, the Client is entitled to make [written] request to the Clearing Member for withdrawal of such excess and the Clearing Member shall, within [.] business days after receipt of such [written] request, refund such excess by transfer thereof to the account as directed by the Client.

6. **SECURITIES MARGIN**^{11/}. With respect to Client Margin in the form of securities, the parties agree that:

(i) The Client shall be entitled to any interest, dividends or other earnings derived from such securities and any taxes or related expenses related thereto shall be borne by the Client;

(ii) The Clearing Member shall be permitted to deliver the relevant securities to TAIFEX to satisfy any Client Required Margin (after deducting the relevant Settlement Amount required to be paid in cash);

^{8/} Article 19 of the TAIFEX Operating Rules

^{9/} Article 38 of the TAIFEX Operating Rules.

^{10/} Article 39 of the TAIFEX Operating Rules.

^{11/} Applicable for Client Margin in the form of securities. The below reflects the required items set out in Article 7.3.4 of the TAIFEX Enforcement Rules

(iii) Each party agrees to comply with the procedures for delivery and withdrawal of securities Client Margin as set out in relevant rules of TAIFEX;

(iv) *[INSERT PARTIES' AGREEMENT REGARDING MARGIN SUBSTITUTION (IF NOT ALREADY SET OUT IN THE RELEVANT COLLATERAL AGREEMENT)]*;

(v) *[INSERT PARTIES' AGREEMENT REGARDING DISPOSAL OF MARGIN IN THE EVENT OF CLIENT'S FAILURE TO PERFORM SETTLEMENT (IF NOT ALREADY SET OUT IN THE RELEVANT COLLATERAL AGREEMENT)]*;

(vi) *[INSERT THE SCOPE OF ELIGIBLE SECURITIES CLIENT MARGIN, THE PERCENTAGE OF PERMITTED SECURITIES CLIENT MARGIN, THE FOREIGN EXCHANGE HAIRCUT PERCENTAGE, VALUATION PERCENTAGE OF EACH TYPE OF ELIGIBLE SECURITIES CLIENT MARGIN AND DETERMINATION OF THE VALUE OF SECURITIES CLIENT MARGIN (IF NOT ALREADY SET OUT IN THE RELEVANT COLLATERAL AGREEMENT)]*; and

(viii) Where securities Client Margin consists of bonds issued by a Taiwan issuer, payment of interest and relevant taxes shall be processed by TAIFEX in accordance with the TAIFEX Rules^{12/}.

7. **CLEARING AND SETTLEMENT.** (a) Settlement Amount. The Client acknowledges and agrees that TAIFEX shall be entitled to deduct from the Client's Individual Client Account any net settlement amount payable to TAIFEX with respect to Positions of the Client, and agrees, to the extent such deduction causes the balance of Client Margin held by the Clearing Member to fall below the amount of the Client Required Margin plus Additional Margin required hereunder, to deliver to the Clearing Member any Top-Up Margin required in accordance with Paragraph 5(e), above^{13/}.

(b) Variation Margin and MTM Difference, etc. The Client shall deliver to the Clearing Member by no later than *[INSERT DEADLINE FOR PAYMENT]* the daily Variation Margin, Price Alignment Amount, MTM Difference and Price Alignment Interest, as applicable, in the currency and amount as notified by the Clearing Member to the Client^{14/}.

(c) Change of Settlement Date. Upon becoming aware of any adjustment to TAIFEX business days due to the occurrence of any event affecting normal clearing and settlement operations of TAIFEX, the Clearing Member shall immediately notify the Client^{15/}.

8. **Designated Clearing Member**^{16/}. The Client may designate

^{12/} Article 7.4.2 of the TAIFEX Enforcement Rules.

^{13/} Article 7.1.2 of the TAIFEX Enforcement Rules.

^{14/} Articles 34 and 35 of the TAIFEX Operating Rules.

^{15/} Article 7.1.3 of the TAIFEX Enforcement Rules.

^{16/} Article 3.3.4 of the TAIFEX Enforcement Rules.

other clearing members as backup clearing members, and the Clearing Member shall execute all such documents or take all such actions as necessary to facilitate the reporting of such backup clearing members to TAIEX in accordance with the TAIEX Rules.

9. **DEFAULT^{17/}**. (a) Clearing Member Default. (i) Transfer. Upon occurrence of an event of default with respect to the Clearing Member as described in the TAIEX Rules (including but not limited to insolvency or liquidation of the Clearing Member, suspension of Clearing Member's business or termination of Clearing Member's clearing agreement by TAIEX) which results in suspension by TAIEX of the operations of the Clearing Member, the Client hereby agrees that the Clearing Member may transfer all of the Client's Positions and Client Margin to (A) a succeeding clearing member reported to TAIEX in accordance with the TAIEX Rules or (B) a designated clearing member which has been separately notified by the Client to the Clearing Member in writing prior to the date of the event of default and undertakes to cause such designated or succeeding clearing member, as applicable, to submit an application for transfer to TAIEX by no later than 5:00 pm on the second business day following the date of the occurrence of such event of default.

(ii) Positions not Transferred. Any Client Positions which have not been transferred in accordance with subparagraph (i), above, shall be transferred into a TAIEX designated default account in accordance with the TAIEX Rules.

(b) Client Default^{18/}. The Client acknowledges and agrees that, notwithstanding the provisions in Section 8(a) of the Addendum, upon the occurrence of an event of default in respect of the Client, the Client shall immediately notify the Clearing Member thereof. The Clearing Member will, upon becoming aware thereof, take the relevant steps described in the TAIEX rules^{19/} and report the occurrence of such Client default to TAIEX, and may take one or more of the following actions:

(i) suspend submissions for clearing on behalf of the Client;

(ii) suspend withdrawal of any margin or securities; and/or

(iii) apply to TAIEX for transfer of the Client's relevant TAIEX Cleared Transactions to the Clearing Member's Proprietary Account.

10. **FEES**. (a) Service Fees. The Client agrees to pay to the Clearing Member the Clearing Member's clearing service fees and the clearing service fees charged by

^{17/} Article 11.2.1 and 11.2.2 of the TAIEX Enforcement Rules.

^{18/} Articles 10 of the TAIEX Operating Rules.

^{19/} Article 3.3.7 of the TAIEX Enforcement Rules.

TAIFEX (collectively, "Service Fees") within [.] business days after receipt of a written invoice from the Clearing Member therefor.

(b) Overdue Interest. In the event that the Client fails to pay the Service Fees when due, the Client shall, on demand, pay interest on such unpaid amount at an interest rate of [.]% per annum.

11. **TERMINATION**. Notwithstanding anything contrary in the Clearing Agreement, termination of this TAIFEX Supplement or the Clearing Agreement by either party shall be subject to not less than [ten (10)] business days' prior written notice to the other party and the Clearing Member shall report the termination hereof to TAIFEX in accordance with the TAIFEX Rules. Upon any termination of the Clearing Agreement, the parties agree to handle all rights and obligations of the parties with respect to any TAIFEX Cleared Transaction in accordance with the terms of the Clearing Agreement and the TAIFEX Rules.

12. **GOVERNING LAW AND JURISDICTION**. This TAIFEX Supplement and any disputes arising from or in connection with any TAIFEX Cleared Transactions shall be governed by the laws of the Republic of China (Taiwan) and subject to the non-exclusive jurisdiction of the Taiwan Taipei District Court.

IN WITNESS WHEREOF, this **TAIFEX** Supplement has been executed on behalf of the parties as of the date first-above written.

AGREED AND ACCEPTED BY

[.]

[.]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____