

PART B – CLEARING AND SETTLEMENT OF CCP SETTLED TRADES

SECTION 7

CLEARING MEMBERS – CCP SETTLED TRADES

Self Clearing Member and Professional Clearing Member are the Clearing Members admitted by the Clearing House for settlement and clearing of CCP Settled Trades on its own behalf and on behalf of others, as the case may be.

7.1 Admission as a Self Clearing Member or a Professional Clearing Member

7.1.1 Eligible Categories

The following persons are eligible for admission as a Self Clearing Member:

- (i) A Trading Participant of the CSE, which is a Stock Broker or Stock Dealer;
- (ii) A Custodian Bank, which is a Depository Participant of the CDS.

The following persons are eligible for admission as a Professional Clearing Member:

- (i) A Trading Participant of the CSE, which is a Stock Broker or Stock Dealer.
- (ii) A Custodian Bank, which is a Depository Participant of the CDS;
- (iii) A Commercial Bank licensed by the CBSL;
- (iv) A Non-Banking Finance Company licensed by the CBSL.

7.1.2 Entry Requirements for a Self Clearing Member or a Professional Clearing Member

An applicant for admission as a Self Clearing Member or a Professional Clearing Member shall on the date of application;

- (i) comply with the following capital requirements:

Self Clearing Member

- (a) If a Trading Participant of the CSE; a minimum liquid capital of Rs. 50 Million and a minimum shareholders' equity of Rs. 125 Million or 50% of the stated capital, whichever is higher.
- (b) If a Custodian Bank; a minimum total shareholders' equity of Rs. 500 Million.

Professional Clearing Member

- (a) If a Trading Participant of the CSE; a minimum shareholders' equity of Rs. 500 Million or 50% of the stated capital, whichever is higher and an additional shareholders' equity of Rs. 50 Million for each Limited Clearing Member Client in respect of whom clearing and settlement service is provided.
- (b) If a Commercial Bank licensed by the CBSL (including a Custodian Bank) or a Non-Banking Finance Company licensed by the CBSL; a minimum total shareholders' equity of Rs. 500 Million and an additional shareholders' equity of Rs. 50 Million for each Limited Clearing Member Client in respect of whom clearing and settlement services are provided.

For the purposes of this Rule 7.1.2(i);

'liquid capital' shall have the same meaning as defined in Annexure 2 of the Trading Participant Rules of the CSE.

'total shareholders' equity' shall be calculated in accordance with the Sri Lanka Accounting Standards.

- (ii) have sufficient resources and adequate systems and facilities to support the business operations of a Self Clearing Member or a Professional Clearing Member, as the case may be, in terms of these Rules.
- (iii) have operational capability, including adequately trained staff, data processing capacity and suitable premises; and,
- (iv) satisfy any other requirements and criteria as may be prescribed by the Clearing House for admission of Self Clearing Members and Professional Clearing Members.

7.1.3 Application to be admitted as a Self Clearing Member or a Professional Clearing Member

- (i) An application to be admitted as a Self Clearing Member or a Professional Clearing Member shall be submitted by the applicant to the Clearing House in the format specified by the Clearing House from time to time.
- (ii) The Clearing House may, accept or reject any application for admission as a Self Clearing Member or a Professional Clearing Member. In the event of a rejection, the Clearing House shall state the reasons.

7.1.4 Grant of Clearing Member Status

- (i) If the application to be admitted as a Clearing Member referred to in Rule 7.1.3 above is accepted by the Clearing House, notice of admission shall be provided as a Clearing Member that is a Self Clearing Member or a Professional Clearing Member, as the case may be.

- (ii) Admission, whether as a Self Clearing Member or a Professional Clearing Member shall become effective on the execution of the Clearing Member Agreement by the Clearing Member with the Clearing House, expressly recording the status of the Clearing Member as a Self Clearing Member or a Professional Clearing Member, as the case may be. The Clearing Member Agreement shall include, inter alia, a representation and undertaking by the Clearing Member that its Market Contracts shall enable and support the effective clearing and settlement of transactions by the Clearing House, it shall have always obtained the agreement of its Clients to the risk management and in particular the default and loss allocation framework employed by the Clearing House in terms of these Rules. By executing and entering into the Clearing Member Agreement, a Self Clearing Member or a Professional Clearing Member agrees to be bound by and comply with these Rules.

7.2 Relationship between Professional Clearing Members and Limited Clearing Member Clients

- 7.2.1 Professional Clearing Members shall clear or settle (i) CCP Settled Trades executed by them either for their own account or for Clients who are Account Holders, and (ii) CCP Settled Trades executed by Limited Clearing Member Clients who have engaged such Professional Clearing Members to clear and settle CCP Settled Trades.
- 7.2.2 A Professional Clearing Member shall enter into a written agreement with each Limited Clearing Member Client that obtains its services to clear and settle CCP Settled Trades executed by such Limited Clearing Member Client, specifying the services provided by the Professional Clearing Member and the rights and obligations of each party. Such written agreement shall also contain such requirements as may be specified by the Clearing House from time to time by way of Circulars.
- 7.2.3 A Professional Clearing Member shall, immediately upon the execution of a written agreement in terms of Rule 7.2.2 above, provide a copy thereof to the Clearing House, also indicating the effective date of such agreement.
- 7.2.4 A Limited Clearing Member Client may enter into a written agreement in terms of Rule 7.2.2 only with one Professional Clearing Member at any given time. Subject to Rule 7.3.4(ii), Rule 7.9.6(iii) and Rule 7.10.1(iii) below, in the event, a Limited Clearing Member that has entered into a written agreement in terms of Rule 7.2.2 above with a particular Professional Clearing Member enters into a written agreement with another Professional Clearing Member, the Professional Clearing Member that has entered into the latter written agreement shall not be entitled to clear or settle CCP Settled Trades carried out by the relevant Limited Clearing Member Client until the first mentioned written agreement is terminated and notice of termination has been given to and acknowledged in writing as having been received by the Clearing House.

The Clearing House shall not have any obligation to verify the expediency or conformity of the written agreement referred to in Rule 7.2.2 above and the Professional Clearing Member shall remain responsible to the Clearing House for all outstanding CCP Settled Trades executed by a Limited Clearing Member Client that has entered into a written agreement with the Professional Clearing Member.

- 7.2.5 The provisions of Rule 7.10 shall apply to a termination of a written agreement entered into between a Professional Clearing Member and a Limited Clearing Member Client.

7.3 Change of Clearing Member status

- 7.3.1 Any Self Clearing Member may submit an application to the Clearing House in accordance with Rule 7.1.3 to become a Professional Clearing Member upon satisfying the criteria set forth in Rule 7.1.2 above for a Professional Clearing Member.
- 7.3.2 The change of the status of a Clearing Member from a Self Clearing Member to a Professional Clearing Member upon the receipt of an application under item (i) of Rule 7.1.3 shall be entirely at the discretion of the Clearing House and the Clearing House shall state the reasons in the event of a rejection. If the application is accepted by the Clearing House, notice shall be provided to the Clearing Member, confirming that the application has been accepted and specifying the effective date of the change of status. The change of status shall become effective on the date specified in such notice. The Clearing Member Agreement of the Clearing Member shall be amended by the Clearing House to record the status of the Clearing Member as a Professional Clearing Member. Upon such status change becoming effective, the Clearing House shall immediately notify the CSE in writing of such change.
- 7.3.3 Any Professional Clearing Member may submit an application to the Clearing House in accordance with Rule 7.1.3 to become a Self Clearing Member, if (a) it wishes to function as a Self Clearing Member despite still satisfying the criteria set forth in Rule 7.1.2 above for a Professional Clearing Member, or (b) it no longer satisfies the criteria set forth in Rule 7.1.2 above for a Professional Clearing Member but satisfies the criteria set forth in Rule 7.1.2 above for a Self Clearing Member.
- 7.3.4 The change of the status of a Clearing Member from a Professional Clearing Member to a Self Clearing Member upon the receipt by the Clearing House of an application under item (i) of Rule 7.1.3 shall be entirely at the discretion of the Clearing House and the Clearing House shall state the reasons in the event of a rejection. If the application is accepted by the Clearing House, notice shall be provided to the Clearing Member, confirming that the application has been accepted. A Professional Clearing Member whose application to become a Self

Clearing Member has been accepted by the Clearing House, shall comply with the following requirements before the change of status becomes effective:

- (i) The Professional Clearing Member shall, immediately upon the receipt of the notice from the Clearing House that the application is accepted, issue a written notice to all the Limited Clearing Member Clients who have entered into written agreements with such Professional Clearing Member in terms of Rule 7.2.2 above, with a copy to the Clearing House, notifying them of the proposed change of status and providing such Limited Clearing Member Clients of a period of up to thirty (30) calendar days from the date of such written notice to engage the services of another Professional Clearing Member;
- (ii) The Limited Clearing Member Clients shall enter into a written agreement in terms of Rule 7.2.2 with other Professional Clearing Members to engage the services of such Professional Clearing Members to clear and settle the CCP Settled Trades of the Limited Clearing Member Clients, within thirty (30) calendar days from the issue of the written notice referred to in (i) above;
- (iii) Notwithstanding anything to the contrary contained in these Rules, the Professional Clearing Member shall continue to and be obliged to clear and settle the Trades executed by each Limited Clearing Member Client on or before the earlier of (a) the thirtieth (30th) calendar day from the from the date of such written notice, or (b) the effective date of the written agreement entered into by the Limited Clearing Member Client with a new Professional Clearing Member (which effective date shall be notified by the Limited Clearing Member Client to the Clearing House).
- (iv) The written agreement between the Professional Clearing Member, whose application to become a Self Clearing Member has been accepted by the Clearing House, and the Limited Clearing Member Client shall be in force until the full settlement of the Trades referred to in item (iii) of this Rule 7.3.4 and shall be deemed to be terminated, ipso facto, upon the full and final settlement of all such Trades in accordance with these Rules. If the Limited Clearing Member Client has entered into a written agreement with a new Professional Clearing Member before the full and final settlement of such Trades, the new Professional Clearing Member which enters into a written agreement with the Limited Clearing Member Client in terms of this Rule 7.3.4 shall, notwithstanding any provision to the contrary contained in Rule 7.2.4 above, be entitled to clear and settle Trades of the Limited Clearing Member Client executed on or after the effective date of such written agreement (which effective date shall be notified by the new Professional Clearing Member to the Clearing House in writing), even though the written agreement of the Limited Clearing Member Client with the Professional Clearing Member whose application to become a Self Clearing Member is accepted may still be in force;

- (v) The termination of the written agreement shall be immediately notified by the Professional Clearing Member and the Limited Clearing Member Client to the Clearing House.
- (vi) The Professional Clearing Member shall not enter into any new written agreements with a Limited Clearing Member Client in terms of Rule 7.2.2 above.

7.3.5 In the event any Limited Clearing Member Client does not (a) enter into a written agreement with a new Professional Clearing Member or (b) become a Self Clearing Member or a Professional Clearing Member subject to satisfying the eligibility criteria for admission as a Self Clearing Member or a Professional Clearing Member in terms of these Rules and following the procedure set forth in these Rules for such admission, within thirty (30) calendar days from the issue of the written notice referred to in item (i) above, the Clearing Member status of the Limited Clearing Member Client shall be suspended by the Clearing House immediately upon the expiration of such thirty (30) calendar day period, and the Clearing House immediately notify the CSE and the CDS of such suspension.

7.4 Persons authorized to act on behalf of a Self Clearing Member or a Professional Clearing Member

- 7.4.1 Self Clearing Members and Professional Clearing Members shall give written notice of the persons who are authorized to act on behalf of such Clearing Member.
- 7.4.2 Such authorized persons shall be the contact persons and shall be deemed to have the authority to instruct Clearing House in respect of matters concerning such Clearing Member.
- 7.4.3 A Clearing Member shall ensure that any change pertaining to such authorized persons shall be promptly communicated in writing to the Clearing House.

7.5 Clearing Member Fees

Upon admission as a Self Clearing Member or a Professional Clearing Member in terms of these Rules, such Clearing Member shall pay fees, charges and reimbursement of expenses in respect of the Clearing or Settlement services and facilities offered by the Clearing House as applicable from time to time.

7.6 Records in respect of Trades

7.6.1 Reconciliation of Records

Self Clearing Members and Professional Clearing Members shall reconcile their respective records with the records of the Clearing House on a daily basis, in relation (but not limited) to the following:

- (a) all settlement schedules issued by the Clearing House that are settled in each settlement cycle, including the funds and securities settled in respect of each settlement instruction;
- (b) transfers of securities into or out of, and the daily closing balance in the Clearing Members' and Clients' Accounts.

If there is any discrepancy between the records of a Clearing Member and the Clearing House, the Clearing Member shall immediately inform the Clearing House of such discrepancy and take necessary steps to rectify such discrepancy.

7.6.2. Maintenance of Records

- (a) Every Self Clearing Member or Professional Clearing Member shall maintain records relating to its business operations as required to demonstrate compliance with these Rules.
- (b) Clearing Members shall notify the Clearing House of the place where the records referred to in Rule 7.6.2 (a), are kept and made available for inspection by the Clearing House and/or the SEC.

7.7 Reporting of Adverse Events

A Self Clearing Member or a Professional Clearing Member shall immediately notify the Clearing House, if:

- (a) it experiences an emergency or potentially debilitating situation that threatens its business operations in the capacity of a Clearing Member;
- (b) it is insolvent or wound-up, or has had an insolvency or winding-up application presented, or an order made by a court of competent jurisdiction, or any step is taken or a resolution passed, for its winding-up, dissolution, judicial management, a compromise with its creditors or administration, whichever occurs first;
- (c) it has had any attachment, distress, execution or legal process instituted against its assets, or has had any liquidator, receiver or any similar person appointed (or an application has been made for the appointment of such person) in respect of any of its assets; and
- (d) any regulatory body has initiated any action against such Clearing Member upon being found to have committed or been connected with the commission of any act which involves fraud, deceit or dishonesty by anybody with regulatory or supervisory authority;
 - (i) established by law in Sri Lanka or abroad,
 - (ii) constituted under law as a commission of inquiry, tribunal or other similar body, or

- (iii) by any professional association which in the opinion of the SEC is of an established and credible stature.

7.8 Provision of Information by Clearing Members

- 7.8.1 Self Clearing Members and Professional Clearing Members shall, upon the request of the Clearing House, provide any information or records and render such assistance (including giving access to its premises, systems and employees) as the Clearing House requires to discharge any of its duties (including to promote safe and efficient settlement), to make authorized disclosures or perform any other acts described in these Rules, or to investigate compliance with or enforce any Rule, from time to time.
- 7.8.2. The Clearing House reserves the right to use or disclose, all information and records so received pursuant to Rule 7.8.1 above, and each Clearing Member irrevocably consents to such use or disclosure.
- 7.8.3 The Clearing Member shall exercise due care to ensure that any information or records provided to the Clearing House do not contain untrue statements, are not misleading and include rather than omit any material statements/information.

7.9 Suspension/Termination of Clearing Member Status

- 7.9.1 The Clearing House may, suspend or cancel the Clearing Member Status of a Self Clearing Member or a Professional Clearing Members, if; the Clearing Member fails to comply with or is in breach of any provision of these Rules or of the Clearing Member Agreement with the Clearing House.

Additionally, the Clearing House may suspend or cancel the Clearing Member status of a Self Clearing Member or a Professional Clearing Member, in the following instances:

- (i) Where the Clearing Member is a Trading Participant or Depository Participant, such Clearing Member ceases to be, or is suspended in its capacity as a Trading Participant or Depository Participant.
- (ii) winding up proceedings have commenced in respect of the Clearing Member.
- (iii) the Clearing Member is, in the opinion of the Clearing House;
 - (a) in financial or operating difficulty, including but not limited to not meeting fund settlement obligations and margin requirements as specified by the Clearing House;
 - (b) conducting its activities in a manner detrimental to the financial integrity, reputation or interests of the Clearing House, or clearing or settlement facilities operated by the Clearing House;

- (c) no longer fit and proper to continue participating in settlement in terms of these Rules.
- (iv) it is necessary or desirable, in the interests of ensuring safe and efficient settlement or settlement facilities, or for ensuring the integrity of the capital market or for the proper mitigation and management of systemic risk, or for investor protection,
- (v) a directive has been issued to that effect by the SEC, or
- (vi) the CBSL has cancelled or suspended the licence issued to a Clearing Member that is Commercial Bank or a Non-Banking Finance Company to carry out banking or finance business, as the case may be.

7.9.2 The Clearing House shall not be obliged to provide any clearing or settlement facilities to a Clearing Member that is suspended in respect of any Trades (including Non-CCP Settled Trades) or to perform any of its obligations under these Rules towards the Clearing Member from the effective date of the suspension/termination of the Clearing Member status of such Clearing Member, other than to the extent of facilitating the closing down operations of the suspended or terminated Clearing Member in relation to outstanding clearing and settlements.

7.9.3 A Clearing Member that is suspended pursuant to Rule 7.9.1, may be reinstated by the Clearing House upon complying with these Rules and/or any additional conditions as the Clearing House may impose.

7.9.4 The suspended Clearing Member shall, from the effective date of such suspension until reinstatement of Clearing Member status respectively:

- (a) pay all outstanding charges owing to the Clearing House;
- (b) fulfill all outstanding settlement and other obligations to the Clearing House;
and
- (c) continue to comply with the terms and conditions set out in the Clearing Member Agreement and these Rules.

7.9.5 A Self Clearing Member that is suspended shall comply with the following additional requirements:

- (i) The Self Clearing Member shall, immediately upon the suspension, issue a written notice to all its Clients, with a copy to the Clearing House, notifying them of the suspension;
- (ii) Notwithstanding anything to the contrary in these Rules, the Self Clearing Member shall continue to and be obliged to clear and settle the Trades executed by it on or before the effective date of suspension.

Once such Trades executed by the suspended Self Clearing Member on or before the effective date of suspension are settled, the suspended Self Clearing Member shall not be eligible to clear and settle any Trades, unless it is reinstated as a Clearing Member in terms of Rule 7.9.3.

7.9.6 A Professional Clearing Member that is suspended shall comply with the following additional requirements:

- (i) The Professional Clearing Member shall, immediately upon the suspension, issue a written notice to all its Clients, including the Limited Clearing Member Clients who have entered into written agreements with such Professional Clearing Member in terms of Rule 7.2.2 above, with a copy to the Clearing House, notifying them of the suspension;
- (ii) Notwithstanding anything to the contrary contained in these Rules, the Professional Clearing Member shall continue to and be obliged to clear and settle (a) the Trades executed by it and/or (b) the Trades executed by a Limited Clearing Member Client that has engaged the services of such Professional Clearing Member, on or before the effective date of suspension.

Once such Trades executed by the suspended Professional Clearing Member and/or the Limited Clearing Member Client that has engaged the services of the suspended Professional Clearing Member, on or before the effective date of suspension are settled, the suspended Professional Clearing Member shall not be eligible to clear and settle any Trades unless it is reinstated as a Clearing Member in terms of Rule 7.9.3.

- (iii) The written agreement between the Professional Clearing Member, which has been suspended, and a Limited Clearing Member Client shall be in force until the full settlement of the Trades of the Limited Clearing Member Client referred to in item (ii) of this Rule 7.9.6 and shall be deemed to be terminated, ipso facto, upon the full and final settlement of Trades of the Limited Clearing Member Client referred to in item (ii) of this Rule 7.9.6. If the Limited Clearing Member Client has entered into a written agreement with a new Professional Clearing Member before the full and final settlement of such Trades, the new Professional Clearing Member which enters into a written agreement with the Limited Clearing Member Client in terms of this Rule 7.9.6 shall, notwithstanding any provision to the contrary contained in Rule 7.2.4 above, be entitled to clear and settle Trades of the Limited Clearing Member Client executed on or after the effective date of such written agreement (which effective date shall be notified by the new Professional Clearing Member to the Clearing House in writing), even though the written agreement of the Limited Clearing Member Client with the Professional Clearing Member who has been suspended may still be in force.
- (iv) The Professional Clearing Member shall not enter into any new written agreements with a Limited Clearing Member Client in terms of Rule 7.2.2 above, until the reinstatement of the status as a Professional Clearing Member.

- 7.9.6 Termination of clearing member status shall not affect the rights and obligations of the Clearing Member which have accrued up to the effective date of termination.
- 7.9.7 The Clearing House shall forthwith notify the SEC, CSE, and the CDS of any action taken, or proceedings instituted against a Clearing Member in terms of this Rule 7.9.

7.10 Termination of Written Agreements between Professional Clearing Members and Limited Clearing Member Clients other than due to change of status

7.10.1 If a written agreement referred to in Rule 7.2.2 above is to be terminated by the Professional Clearing Member and/or the Limited Clearing Member Client, the Clearing House shall be notified in writing at least thirty (30) calendar days prior to the date of the intended termination. The Clearing House shall have the discretion to waive off the notice period with the concurrence of the Professional Clearing Member and the Limited Clearing Member Client. The following requirements shall apply in respect of a proposed termination of the written agreement by the Professional Clearing Member and/or the Limited Clearing Member Client:

- (i) The Limited Clearing Member Client shall (a) enter into a written agreement in terms of Rule 7.2.2 with another Professional Clearing Member to engage the services of such Professional Clearing Member to clear and settle the CCP Settled Trades of the Limited Clearing Member Client or (b) become a Self Clearing Member or a Professional Clearing Member subject to satisfying the eligibility criteria for admission as a Self Clearing Member or a Professional Clearing Member in terms of these Rules and following the procedure set forth in these Rules for such admission, within thirty (30) calendar days from the issue of the written notice to the Clearing House of intended termination as referred to above.
- (ii) Notwithstanding anything to the contrary contained in these Rules, the Professional Clearing Member shall continue to and be obliged to clear and settle the Trades executed by Limited Clearing Member Clients on or before the earlier of (a) the thirtieth (30th) calendar day from the date of such written notice, or (b) the effective date of the written agreement by the Limited Clearing Member Client with a new Professional Clearing Member (which effective date shall be notified by the Limited Clearing Member Client to the Clearing House) or (c) the date on which the Clearing Member Client is admitted as Self Clearing Member or a Professional Clearing Member.
- (iii) The written agreement between the Professional Clearing Member and the Limited Clearing Member Client shall be in force until the full settlement of the Trades referred to in item (ii) of this Rule 7.10.1 and shall be deemed to be terminated, ipso facto, upon the full and final settlement of all such Trades in accordance with these Rules. If the Limited Clearing Member

Client has entered into a written agreement with a new Professional Clearing Member before the full and final settlement of such Trades, the new Professional Clearing Member which enters into a written agreement with the Limited Clearing Member Client in terms of this Rule 7.10.1 (iii) shall, notwithstanding any provision to the contrary contained in Rule 7.2.4 above, be entitled to clear and settle Trades of the Limited Clearing Member Client executed on or after the effective date of such written agreement (which effective date shall be notified by the new Professional Clearing Member to the Clearing House in writing), even though the written agreement that is due to be terminated may still be in force.

- (iv) The termination of the written agreement shall be immediately notified by the Professional Clearing Member and the Limited Clearing Member Client to the Clearing House.

7.10.2 In the event of a suspension of the Professional Clearing Member by the Clearing House, the written agreement referred to in Rule 7.2.2 above between such Professional Clearing Member and a Limited Clearing Member Clients shall terminate, ipso facto, upon such suspension, unless there are outstanding Trades executed by the Limited Clearing Member on or before the effective date of suspension as referred to in item (iii) of Rule 7.9.6 above, in which case the termination of such written agreement shall be as specified in item (iii) of Rule

7.9.6. The following requirements shall apply in the event of a termination of a written agreement pursuant to the suspension of the Professional Clearing Member:

- (i) The termination of the written agreement shall be immediately notified by the Limited Clearing Member Client to the Clearing House.
- (ii) The Limited Clearing Member Client shall (a) enter into a written agreement in terms of Rule 7.2.2 with another Professional Clearing Member to engage the services of such Professional Clearing Member to clear and settle the CCP Settled Trades of the Limited Clearing Member Client or (b) become a Self Clearing Member or a Professional Clearing Member subject to satisfying the eligibility criteria for admission as a Self Clearing Member or a Professional Clearing Member in terms of these Rules and following the procedure set forth in these Rules for such admission, within thirty (30) calendar days from the termination of the written agreement.

7.10.3 In the event of a breach by the Professional Clearing Member of the provisions of the written agreement or these Rules, the Limited Clearing Member Client shall be entitled to terminate the written agreement referred to in Rule 7.2.2 above with such Professional Clearing Member without notice, provided however that if there are outstanding Trades which are not cleared and settled, the termination of the written agreement shall only be effected upon the full and final settlement of such outstanding Trades. The following requirements shall apply in the event of a written agreement under this Rule 7.10.3:

- (i) The termination of the written agreement shall be immediately notified by the Limited Clearing Member Client to the Clearing House.
- (ii) The Limited Clearing Member Client shall (a) enter into a written agreement in terms of Rule 7.2.2 with another Professional Clearing Member to engage the services of such Professional Clearing Member to clear and settle the CCP Settled Trades of the Limited Clearing Member Client or (b) become a Self Clearing Member or a Professional Clearing Member subject to satisfying the eligibility criteria for admission as a Self Clearing Member or a Professional Clearing Member in terms of these Rules and following the procedure set forth in these Rules for such admission, within thirty (30) calendar days from the termination of the written agreement.

7.10.4 Any termination of a written agreement under Rule 7.2.2 between a Professional Clearing Member and a Limited Clearing Member Client including in terms of Rule 7.3.4 shall be notified by the Clearing House to the CSE and CDS immediately upon the Clearing House becoming aware of such termination, so as to ensure that any Trading Participant that is a Limited Clearing Member (which is not admitted as a Self Clearing Member or a Professional Clearing Member in respect of CCP Settled Trades) is not allowed to execute CCP Settled Trades until such Limited Clearing Member engages the services of another Professional Clearing Member or becomes a Self Clearing Member or a Professional Clearing Member, which fact shall also be notified by the Clearing House to the CSE and CDS immediately.

7.10.5 In the event the Limited Clearing Member Client does not enter into a written agreement with a new Professional Clearing Member or become a Self Clearing Member or a Professional Clearing Member in terms of Rule 7.10.1, 7.10.2 and 7.10.3 above within the thirty (30) calendar day period referred to therein, the Clearing Member status of the Limited Clearing Member Client shall be suspended by the Clearing House immediately upon the expiration of such thirty (30) calendar day period, and the Clearing House immediately notify the CSE and the CDS of such suspension.