

# ICE Clear Europe<sup>sm</sup> Clearing Rules

**July 2022** [\[●\]](#)

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**Part 1 – General Provisions**

The term "**Clearing Membership Agreement**" means an agreement between the Clearing House and a Clearing Member under which, *inter alia*, the Clearing House agrees to provide Clearing in respect of Contracts to that Clearing Member and that Clearing Member agrees to be bound by and subject to these Rules. Without prejudice to the generality of Rule 102(b) or to the effectiveness of any other agreement between a Clearing House and a Clearing Member, for the avoidance of doubt, for Clearing Members that have executed a Pledged Collateral Addendum, [Gold Addendum or Emission Allowances Supplement](#), the relevant Clearing Membership Agreement will be interpreted as amended by that Pledged Collateral Addendum, [Gold Addendum and/or Emission Allowances Supplement](#).

The term "**Clearing Organisation**" means any clearing house duly authorised, regulated, recognised or licensed under Applicable Laws in any jurisdiction, including any recognised clearing house, recognised overseas clearing house, derivatives clearing organisation, securities clearing agency or similar entity.

The term "**Clearing Processing System**" means the clearing processing system for Energy Contracts, the universal clearing platform for Financials & Softs Contracts and other clearing processing systems and platforms used by the Clearing House for F&O Contracts.

The term "**CLS Bank**" means CLS Bank International.

The term "**Collateral Offset Obligations**" means obligations of a Clearing Member arising pursuant to Rule 919 to pay the Clearing House, which offset obligations of the Clearing House to pay the Clearing Member or return assets in respect of Permitted Cover transferred or pledged to the Clearing House by the Clearing Member.

The term "**Component Transaction**" has the meaning set out in Part 15.

The term "**Concentration Bank**" means an Approved Financial Institution at which the Clearing House has an account or accounts for the purpose of making transfers between Clearing House Accounts.

The term "**Contract**" means a contract between the Clearing House and a Clearing Member (or Sponsored Principal) arising in accordance with these Rules, and as amended, subject to netting or aggregation in accordance with these Rules, the terms and conditions of which are the relevant Contract Terms.

The term "**Contract Category**" means any of the three categories of Contract cleared by the Clearing House which are linked to a specific Guaranty Fund, i.e. F&O Contracts, CDS Contracts and FX Contracts.

For the definition of the term "**Contract Position**", see 'Open Contract Position' below.

The term "**Contract Terms**" means all the terms and conditions of a Contract, as applicable, in: (i) the general conditions set out in the Contract Terms Procedures; (ii) (in relation to F&O Contracts only) the relevant Market Rules; (iii) (except in relation to F&O Contracts which are

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settled only in cash) if such F&O Contract becomes deliverable or is a Contract of Sale, the relevant Delivery Procedures for the class of F&O Contract, the specified terms set out in the

relation to, or in connection with these Rules or any Contract, including any dispute as to the existence, construction, validity, interpretation, enforceability, termination or breach of these Rules or any Contract.

The term "**EFPs**" means an 'exchange for physicals' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**EFRP**" means an 'exchange for related positions' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**EFS**" means an 'exchange for swaps' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**Eligible Currencies**" means USD, EUR, GBP, CAD, CHF, SEK and such other currencies as are specified as eligible in the Finance Procedures or otherwise by the Clearing House from time to time.

The term "**Emission Allowance**" has the same meaning as that given to the term in MiFID II.

[The term "\*\*Emission Allowances Supplement\*\*" means an addendum to a Clearing Membership Agreement concerning the transfer of Emission Allowances to and from the Clearing House as Permitted Cover.](#)

The term "**Emissions Registry**" means a 'registry' (within the meaning of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC or otherwise) that has been approved by the Clearing House for purposes of deliveries of Emission Allowances under F&O Contracts.

The term "**EMIR**" (European Market Infrastructure Regulation) means Regulation (EU) No, 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and includes all delegated or implementing regulations, decisions and technical standards thereunder as interpreted in accordance with any applicable guidance publicly issued by ESMA or any Regulatory Authority.

The term "**Encumbrance**" means any claim, charge, mortgage, security, lien, equity, beneficial interest, power of sale, option or other right to purchase, usufruct, hypothecation, retention of title, right of pre-emption or other third party right or security interest of any kind or an agreement to create any of the foregoing.

The term "**Energy**" is used to refer to the Clearing of Contracts arising on or reported through Markets, excluding the Clearing of Financial & Softs products.

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The term "**Energy Block Trade Facility**" means a 'block trade' transaction under applicable Market Rules or any similar transaction under any Market Rules, for Energy Transactions.

Sponsors or Sponsored Principals (including by any Representative, including via an FX Trade Execution/Processing Platform), which particulars, if accepted by the Clearing House, will give rise to an FX Contract or FX Contracts (and, in the case of particulars of an FX transaction submitted by or for a Non-FCM/BD Clearing Member for one of its Customer Accounts, a Customer-CM FX Transaction). For the avoidance of doubt, FX Trade Particulars may or may not reflect a binding contract between two FX Clearing Members or Sponsored Principals or any binding transaction between an FX Clearing Member and its Customer.

The term "**GBP**" means the lawful currency from time to time of the United Kingdom.

The term "**General Customer**" means, for an FCM/BD Clearing Member, a Customer that is not a DCM Customer, Swap Customer, Non-DCM/Swap Customer, or SBS Customer. A Person may be a General Customer of an FCM/BD Clearing Member in relation to certain Transactions or Contracts and another category of FCM/BD Customer of an FCM/BD Clearing Member in relation to other Transactions or Contracts.

The term "**General Customer Account**" means a kind of Customer Account with the Clearing House opened in the name of an FCM/BD Clearing Member for the recording of F&O Contracts (other than U.S. Futures, Swaps or Non-DCM/Swaps) to which that FCM/BD Clearing Member is a party as a result of it acting for one or more General Customers, and related Margin.

[The term "Gold Addendum" means an addendum to a Clearing Membership Agreement concerning the transfer of gold to and from the Clearing House as Permitted Cover.](#)

The term "**Governmental Authority**" means any Regulatory Authority and any national, federal, supranational, state, regional, provincial, local or other government, government department, ministry, governmental or administrative authority, regulator, agency, commission, secretary of state, minister, court, tribunal, judicial body or arbitral body or any other Person exercising judicial, executive, interpretative, enforcement, regulatory, investigative, fiscal, taxing or legislative powers or authority anywhere in the world with competent jurisdiction.

The term "**Group Company**" means, with respect to any entity, an undertaking which is a parent undertaking or subsidiary undertaking of that entity or a subsidiary undertaking of any parent undertaking of that entity. For the purposes of this definition, the expressions "parent undertaking" and "subsidiary undertaking" shall have the meanings given to them in section 1162 of the Companies Act 2006, the expression "undertaking" shall have the meaning given to it in section 1161 of the Companies Act 2006 and the expression "entity" shall have the same meaning as the expression "undertaking".

The term "**Guaranty Funds**" means the F&O Guaranty Fund, the CDS Guaranty Fund and the FX Guaranty Fund.

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The term "**Guaranty Fund Contribution**" means Permitted Cover transferred by a Clearing Member to the Clearing House as a contribution to the Guaranty Fund pursuant to Part 11 that has not been applied pursuant to Part 9 and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Guaranty Fund Period**" (i) for the F&O Guaranty Fund, means a period for which the total amount of F&O Guaranty Fund Contributions for the F&O Guaranty Fund is fixed pursuant to the Finance Procedures (subject to any termination or suspension of any F&O

**Part 5 – Margin****Part 5 Margin****Rule 501 Approved Financial Institutions**

- (a) The Clearing House will maintain a list of Approved Financial Institutions. Only Approved Financial Institutions shall be permitted by the Clearing House to open and operate, on behalf of Clearing Members, accounts from which the Clearing House can draw amounts pursuant to a direct debit mandate, for the collection of amounts due to the Clearing House from time to time. Approved Financial Institutions may also act in such other capacity as the Clearing House may approve in writing from time to time.
- (b) All cash transfers made by Clearing Members to or to the order of the Clearing House must be made from an account at an Approved Financial Institution, unless the Clearing House gives its prior written consent to another method being used.
- (c) Clearing Members are given notice that the Clearing House may suspend or terminate the status of an Approved Financial Institution or attach, amend or revoke conditions to the continued status of an Approved Financial Institution. The Clearing House may take such steps if an institution no longer meets all of the requirements of the Clearing House or if the Clearing House determines that it would be advisable for the Clearing House's own protection, the protection of Clearing Members or the protection of a Market to do so.

**Rule 502 Margin**

- (a) Each Clearing Member shall transfer Permitted Cover to the Clearing House in respect of Margin in such amounts, in such forms and at such times as are required pursuant to this Part 5 and otherwise as may be prescribed by the Clearing House and notified to Clearing Members, in each case in accordance with these Rules and the Finance Procedures, from time to time.
- (b) At any time on which a requirement for Original Margin, FX Original Margin, Initial Margin or Margin under Rule 502(g) falls due and insufficient Permitted Cover is held, the Clearing Member must initially transfer cash in an Eligible Currency. Thereafter a Clearing Member may in accordance with the Finance Procedures substitute such cash Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. Permitted Cover must be transferred in accordance with the Finance Procedures and will only be recognised by the Clearing House at or after the times stated in the Finance Procedures, which may not be immediately upon receipt. The amount of Original Margin or Margin under Rule 502(g) for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and each Customer Account for each Clearing Member in accordance with the Finance Procedures.
- (c) Variation Margin, FX Mark-to-Market Margin and Mark-to-Market Margin payments may be made by the Clearing House or a Clearing Member only in cash in the Eligible Currency in which the Contract in question is to be or can be settled (for F&O Contracts), which is the settlement currency (for CDS Contracts) pursuant to the Contract Terms or



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which is specified as the FX Mark-to-Market Margin currency for the relevant Set (for FX Contracts) (save where the Finance Procedures require otherwise).

- (d) Details of Eligible Currencies and other Permitted Cover that may be used to satisfy Margin obligations will be notified to Clearing Members from time to time by a Circular. The Clearing House may, at its discretion, vary or alter the standard Margin requirements, nature or types of acceptable Eligible Currencies and Permitted Cover, specify proportions or maximum proportions of cash or asset classes to be provided as Margin or modify any valuation procedures or haircuts set out in or established pursuant to the Finance Procedures, Circulars or any risk policies. Any general changes to requirements for Margin or Permitted Cover will be notified to Clearing Members by a Circular.
- (e) Certain classes of Permitted Cover may be subject to haircuts in accordance with the Finance Procedures (as specified from time to time by Circular) pursuant to which certain classes of Permitted Cover do not count for their full face or market value in the determination of Margin for the account of a Clearing Member. For the avoidance of doubt, this Rule 502(e) shall apply to any haircuts imposed pursuant to clause 2.9 of the Pledged Collateral Addendum.
- (f) The Clearing House may require a Clearing Member or Clearing Members to transfer cash in other Eligible Currencies or Permitted Cover with the Clearing House in substitution for any Permitted Cover already transferred to the Clearing House.
- (g) The Clearing House may impose, amend or withdraw additional Margin requirements in respect of any Clearing Member at any time and at its discretion.
- (h) The Clearing House may designate by Circular or Rule that a Proprietary Margin Account or Customer Margin Account or any sub-account of such an account of a Clearing Member shall be a Pledged Collateral Account and consequently that all or any part of the Margin (or Permitted Cover in respect thereof) to be provided to the Clearing House with respect to such account may be provided by way of Pledged Collateral. In the absence of such express designation, a Proprietary Margin Account or Customer Margin Account will not be a Pledged Collateral Account. The Clearing House undertakes in favour of each Clearing Member that has executed a Pledged Collateral Addendum (which remains valid and effective and which has not been terminated or rescinded) that the Clearing House will not redesignate any of such Clearing Member's Accounts or any sub-account thereof which is a Pledged Collateral Account as not being a Pledged Collateral Account (without the consent of the Clearing Member) or otherwise in such a way as would cause the Clearing Member to breach any Applicable Law or would affect the characterisation of the Margin in such Account as being provided by the relevant Clearing Member by way of pledge (in the case of a Pledged Collateral Addendum governed by New York and U.S. law) or security financial collateral arrangement (in the case of a Pledged Collateral Addendum governed by English law) pursuant to the Pledged Collateral Addendum.

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- (i) Any Pledged Collateral recorded in a Pledged Collateral Account is transferred to the Clearing House as contingent cover for Margin on the basis that it may only be applied by the Clearing House in accordance with the terms of the Pledged Collateral Addendum: (i)(A) following an Event of Default pursuant to Rule 905 and Rule 906 as cover for Margin against a liability of the Clearing Member relating to the relevant Account of the Pledged Collateral Account (provided that the value of any Pledged Collateral returned directly to a Clearing Member or any Person on such Clearing Member's behalf will be excluded from the calculation of any relevant net sum); and (B) only to the extent that such applied amount is required to be included in the net sum calculation to ensure that the net sum for the relevant Account of the Pledged Collateral Account would not represent an amount payable by the Defaulter to the Clearing House; or (ii) pursuant to the Default Portability Rules. In any such circumstances, it will be applied by virtue of amounts representing the proceeds of Pledged Collateral being included in amount  $M$  of the relevant net sum pursuant to Rule 906(a). Any Pledged Collateral not applied in accordance with this provision and which is not transferred to a Transferee Clearing Member in accordance with Part 9 of the Rules shall be returned to the relevant Clearing Member or other payee as permitted under Part 9 of the Rules, as a result of such Clearing Member's, or other payee's entitlements to such Pledged Collateral and not as part of the net sum process arising pursuant to Part 9 of the Rules. Any such return by the Clearing House of Pledged Collateral outside of the net sum calculation shall discharge and satisfy in full the Clearing House's obligations to return such Pledged Collateral to the Clearing Member by the payee and all of their Customers and no Person shall have any further claim against the Clearing House in respect of such Pledged Collateral. To the extent any Pledged Collateral is, or is required under Applicable Law to be, returned to a Defaulter, it shall be returned separately from any net sum certified by the Clearing House pursuant to Rule 906.
- (j) Without limiting Rule 111, but subject to any contrary requirements of law: the Clearing House shall not be liable to any Clearing Member's Customer or other Person for any losses, liabilities, damages, costs, claims, shortfalls or expenses arising out of or relating to the holding of any Pledged Collateral or the assets in any Pledged Collateral Account ("**Custodial Losses**"), except to the extent such Custodial Losses result from the gross negligence or wilful misconduct of the Clearing House. The Clearing House shall have no responsibility for any investment decisions made or directed by a Clearing Member (or any Representative thereof) with respect to assets representing Pledged Collateral or for the results of any such investments. The Clearing House shall be under no obligation to inquire into, and shall be fully protected in relying on, any requests, instructions or directions with respect to Pledged Collateral or the assets in any Pledged Collateral Account under these Rules received from a Person the Clearing House believes to be authorised to act on behalf of the appropriate Clearing Member.
- (k) Changes to the matters described in Rules 502(d) and (e) above, including assets eligible as Margin or Permitted Cover and the haircuts established with respect thereto, will be based on an analysis of appropriate factors as determined by the Clearing House, including historical and implied price volatility of such assets, current and anticipated conditions in the market for those assets, spreads and correlations between relevant

***Part 5 – Margin***

assets, liquidity in the trading market for those assets, composition of the relevant market, default risk (including sovereign risk) with respect to those assets, relevant foreign exchange market conditions and other relevant information.

***Rule 503 Margin Calls and Return of Surplus Collateral***

- (a) Margin shall be and become due and payable at the times specified by the Clearing House pursuant to Rule 302.
- (b) Regular Margin calculations will be made by the Clearing House on each Business Day. Any such calculation may result in a call for additional Permitted Cover pursuant to Part 3.
- (c) The Clearing House shall be entitled, at its discretion, to make an intra-day call for Margin or any other amount payable to it. In the event of such a call being made, the Clearing House will:
  - (i) give notice to each Clearing Member which is required to make payment to the Clearing House of the amount payable by such Clearing Member and time by which payment must be made; and
  - (ii) immediately after giving or making reasonable efforts to give the notice described in Rule 503(c)(i), instruct the relevant Approved Financial Institution to transfer funds equal to the amount due to the Clearing House from the account of such Clearing Member to an account of the Clearing House.
- (d) For regular calls relating to F&O Contracts, Margin shall be calculated with reference to a Clearing Member's Open Contract Position in accordance with the Finance Procedures. For any intra-day Margin call relating to F&O Contracts, Margin shall be calculated with reference to a Clearing Member's Open Contract Position (which includes in relation to the Customer Account where positions are held in gross in accordance with the Clearing Procedures, the net additional exposure relating to any Contracts held gross which have not been contractually netted or aggregated in accordance with Rule 406) in accordance with the Finance Procedures.
- (e) The amount of Variation Margin for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and each Customer Account for each Clearing Member in accordance with the Finance Procedures. Each such Variation Margin call shall be:
  - (i) in the case of F&O Contracts reflected in a net or aggregated Open Contract Position, based on the Exchange Delivery Settlement Prices at which Open Contract Positions in F&O Contracts are recorded on the Clearing House's books; and
  - (ii) in the case of F&O Contracts not yet reflected in a net or aggregated Open Contract Position, represented by the difference between the Exchange Delivery

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Settlement Price and the price at which each such F&O Contract was bought or sold; provided, however, that in the case of any F&O Contract based on an index, the amount of the final Variation Margin payment shall be determined as specified in the rules of the Exchange on which the index is based.

- (f) Regular calls for Margin in respect of CDS Contracts will be made following the close of business on each Business Day as follows and in accordance with the Finance Procedures:
- (i) For Initial Margin (including Physical Settlement Margin) calls, the Clearing House shall calculate net amounts as due to or from the Clearing House from or to each CDS Clearing Member separately in respect of its Proprietary Margin Account and relevant Customer Margin Account (if any). Such amounts shall in each case be calculated in accordance with the risk policies of the Clearing House based on the difference between the CDS Clearing Member's requirement for Initial Margin and Physical Settlement Margin and the value attributed by the Clearing House to assets accounted for by the Clearing House as Margin of that category, in accordance with the Finance Procedures. Additional amounts in respect of Physical Settlement Margin may also be required pursuant to the CDS Procedures or Rule 502(g).
  - (ii) For Mark-to-Market Margin calls, each currency in which a CDS Contract is denominated is treated as a separate category (each, a "**Mark-to-Market Margin Category**"). For each Mark-to-Market Margin Category of a CDS Clearing Member, the Clearing House shall calculate net amounts as due to or from the Clearing House from or to each CDS Clearing Member separately in respect of its Proprietary Margin Account and Customer Margin Account (if any) based on the change in Mark-to-Market Price from the last time at which a Mark-to-Market Margin call was made, in accordance with the Finance Procedures.
- (g) The "**Mark-to-Market Price**", for CDS Contracts of a Set at any time is the price, determined by the Clearing House in accordance with the Finance Procedures and calculated in accordance with its risk policies. To aid in the establishment of Mark-to-Market Prices, Clearing Members are required to submit end-of-day prices relating to Sets of CDS Contracts. In connection with the Clearing services provided by the Clearing House and as detailed in the CDS Procedures, the submission of end-of-day prices relating to CDS Contracts may, on the day of price submission only, result in a CDS Contract arising pursuant to Rule 401(a)(xi).
- (h) For regular and intra-day Margin calls relating to FX Contracts, Margin shall be calculated with reference to the FX Contracts to which the Clearing Member is party, in accordance with the Procedures.
- (i) The amount of FX Mark-to-Market Margin for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and Customer Account in accordance with the Procedures. Each such FX Mark-to-Market Margin call shall be based on changes to the mark-to-market values for FX Contracts and

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exchange rates from the last time at which a call for FX Mark-to-Market Margin was made in accordance with Part 17 of the Rules and the Procedures.

- (j) The Clearing House shall return to a Clearing Member or Sponsored Principal the amount of any Surplus Collateral, provided that the Clearing House receives a request for such a release from such Clearing Member or Sponsored Principal prior to such time as may be specified by the Clearing House for the day on which such release is to be made or pursuant to standing instructions for the return of Surplus Collateral, as the same may be established or amended in accordance with the Finance Procedures, such returns to be made in accordance with Rule 302 and the Finance Procedures.
- (k) To the extent that the Clearing House permits the usage of more than one class of Permitted Cover in respect of Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts, each Non-FCM/BD Clearing Member with more than one Margin-flow Co-mingled Account or Segregated Gross Indirect Account using the same position-keeping account will report to the Clearing House immediately on each occasion that there is a transfer of any Permitted Cover to or from the Clearing House in respect of such Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts, other than in connection with a call or return of cash Margin under Rule 303, in the form and manner required by the Clearing House from time to time. Each such Permitted Cover report shall specify the exact total amount of cash of each Eligible Currency and notional amounts of Permitted Cover in the form of securities of each ISIN [and details of any other eligible asset class](#) transferred to or withdrawn from each Margin-flow Co-mingled Account or Segregated Gross Indirect Account. The total nominal amounts of assets in such Permitted Cover reports, in order to be valid, must completely reconcile with Clearing House records of the total nominal amounts of Permitted Cover transferred to or withdrawn from the Clearing House in respect of all relevant Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts of the Clearing Member, but the Clearing House shall be under no obligation to check or verify any such report. Valid Permitted Cover reports under this Rule 503(k) may be definitively relied upon by the Clearing House. If at any time the Clearing House is not in receipt of a valid Permitted Cover report required under this Rule 503(k), each Margin-flow Co-mingled Account or Segregated Gross Indirect Account, in respect of which the Clearing Member has failed to provide a valid Permitted Cover report, shall be deemed to have recorded in it a *pro rata* share of each class of Permitted Cover transferred to the Clearing House, or have withdrawn from it a *pro rata* share of each class of Permitted Cover withdrawn from the Clearing House, with *pro rata* shares based upon the Margin requirements for each Margin-flow Co-mingled Account or Segregated Gross Indirect Account as determined based on the Clearing House's Position Accounts.

**Rule 504 Rights relating to Margin and Representations of Clearing Members**

- (a) The rights and liabilities of the Clearing House and each Clearing Member in relation to Permitted Cover are set out in the Clearing Membership Agreement and these Rules.
- (b) Each Clearing Member will act as principal and not as agent in providing Margin to the Clearing House. The Clearing House will take no account of any right or interest which

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any Person other than the Clearing Member may have in any Margin furnished by such Clearing Member to the Clearing House.

- (c) Each Clearing Member will be deemed to represent and warrant to the Clearing House on each date on which such Clearing Member transfers Permitted Cover to the Clearing House that:
- (i) immediately prior to any such Permitted Cover being transferred to the Clearing House, the Clearing Member is or was the sole legal and beneficial owner of all such assets (or such assets are provided with all legal and beneficial owners' unconditional consent for their use and application pursuant to these Rules);
  - (ii) the Clearing House is not subject to any obligation to perform directly to any of a Clearing Member's Customers, Affiliates or Representatives or any third party as a result of the Clearing Member granting any interest in any receivable from the Clearing House resulting from the Clearing House's receipt or use of such Permitted Cover, except as expressly provided pursuant to these Rules or any Pledged Collateral Addendum or as mandated pursuant to Applicable Law;
  - (iii) such Permitted Cover is provided on the basis that it may be used by the Clearing House and applied in accordance with these Rules;
  - (iv) the Clearing Member will not claim that any transfer of Permitted Cover to or use of Permitted Cover by the Clearing House in accordance with the Rules or the relevant Clearing Membership Agreement is contrary to or in breach of any requirement of Applicable Law, third party right or other contractual obligation (provided that the Clearing House does not cause such breach by amending these Rules);
  - (v) the Clearing Member is not in breach of any of its contractual obligations or regulatory requirements under MiFID II or other Applicable Laws towards any third party as a result of the transfer of Permitted Cover to the Clearing House (provided that the Clearing House does not cause such breach by amending these Rules) or its collection from or receipt of any assets from its clients; and
  - (vi) if it is subject to CASS 7.18 of the FCA Rules:
    - (A) its Segregated Customer Omnibus Accounts For CDS, Segregated Customer Omnibus Accounts For F&O, Segregated Customer Omnibus Accounts For FX, Standard Omnibus Indirect Accounts for CDS, Standard Omnibus Indirect Accounts for F&O and Standard Omnibus Indirect Accounts for FX only contain cash where the corresponding cash claim or receivable in the hands of the Clearing Member is treated by the Clearing Member as a client money claim or receivable and only contain non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was entitled to treat as client assets prior to their transfer to the Clearing House;

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- (B) each of its Individually Segregated Sponsored Accounts, Margin-flow Co-mingled Accounts and Segregated Gross Indirect Accounts in respect of which a letter has been delivered to the Clearing House pursuant to Rule 102(q)(viii) only contain cash where the corresponding cash claim or receivable in the hands of the Clearing Member is treated by the Clearing Member as a client money claim or receivable and only contain non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was entitled to treat as client assets prior to their transfer to the Clearing House; and
  - (C) none of its Customer Accounts or Proprietary Accounts other than such Accounts as are mentioned in paragraphs (A) or (B) contain any cash where the corresponding cash claim or receivable in the hands of the Clearing Member is required to be treated by the Clearing Member as a client money claim or receivable nor contain any non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was required to treat as client assets prior to their transfer to the Clearing House.
- (d) The Clearing Member shall be liable to the Clearing House for any cost or liability incurred by the Clearing House as a result of the Clearing House possessing, holding, perfecting the title (or, in the case of Pledged Collateral, perfecting its security interest) to or otherwise being associated with, any asset provided to it by that Clearing Member by way of Margin.
  - (e) Where a Clearing Member has appointed a Disclosed Principal Member, any obligation to transfer Margin (or any other amount, payment or performance) of a Clearing Member to the Clearing House shall be construed as an obligation of the Disclosed Principal Member and any right to receive Margin (or any other amount, payment or performance) from the Clearing House shall be construed as a right of the Disclosed Principal Member and all other provisions of these Rules relating to Margin, payments and performance shall be construed accordingly.
  - (f) Each Non-FCM/BD Clearing Member shall require and receive Customer-CM Collateral from its Customers or fund such Permitted Cover only in such a manner as is consistent with these Rules and the relevant Standard Terms and in a manner which allows the Clearing Member to transfer Permitted Cover to the Clearing House in accordance with its obligations under the Clearing Membership Agreement and these Rules.
  - (g) Any amount or asset recorded in a particular Account may be applied by the Clearing House to the extent permitted under Part 9 of the Rules as against the net sum for such Account or transferred to the extent permitted under Rule 906 regardless of the origin or status of such amount or assets at the time of transfer or prior to the time of transfer as Customer-CM Collateral, title transfer collateral, security interest collateral, Pledged Collateral or otherwise.

**Part 5 – Margin**

- (h) The Clearing House has acknowledged in Rule 102(q), Rule 906(b), letters countersigned and returned by the Clearing House in accordance with Rule 102(q), Clearing Membership Agreements, Sponsor Agreements and Sponsored Principal Clearing Agreements that:
- (i) no Customer Account of a Clearing Member or Individually Segregated Sponsored Account (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account) is to be combined or commingled with a Proprietary Account of the same or same sponsoring Clearing Member (or any money, asset or contract recorded in such a Proprietary Account);
  - (ii) no Customer Account of a Clearing Member or Individually Segregated Sponsored Account (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account) is to be combined or commingled with a different Customer Account or Individually Segregated Sponsored Account of the same or same sponsoring Clearing Member (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account); and
  - (iii) no right of set-off shall be exercised by the Clearing House against money, asset or contract credited to a Customer Account in respect of any sum or obligation owed to the Clearing House on any other account.
- (i) A Clearing Member shall take any action reasonably requested by the Clearing House that may be necessary or desirable to create, preserve, perfect or validate the right, title or interests of the Clearing House in Margin or Guaranty Fund Contributions intended to be created under these Rules, the relevant Clearing Membership Agreement, any Sponsor Agreement, any Sponsored Principal Clearing Agreement or any Pledged Collateral Addendum or to enable the Clearing House to exercise or enforce any of its rights with respect thereto.

**Rule 505      *Financial Collateral Regulations***

Clearing Members, Sponsored Principals, Customers and the Clearing House acknowledge that, except where a payment of Variation Margin, Mark-to-Market Margin, or FX Mark-to-Market Margin or a settlement or delivery payment occurs, the Financial Collateral Regulations apply in relation to all Permitted Cover, Margin and Guaranty Fund Contributions transferred to the Clearing House in the form of "cash" or "financial instruments" (in either case, as defined in the Financial Collateral Regulations). Each Clearing Member, Sponsored Principal, Sponsor and Customer agrees that it will not dispute the construction of the arrangements regarding the provision of such assets under these Rules as "financial collateral arrangements" within the meaning of the Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on Financial Collateral Arrangements.



**Part 5 – Margin****Rule 506 Sponsored Principals**

- (a) This Part 5 applies to Sponsored Principals in the same way as it applies to Clearing Members except:
- (i) The last two sentences of Rule 503(g) do not apply.
  - (ii) Rule 504(a) does not apply. The rights and liabilities of the Clearing House, Sponsored Principal and Sponsor in relation to Permitted Cover are set out in the Sponsored Principal Clearing Agreement and Sponsor Agreement and these Rules.
  - (iii) Rule 504(c)(v) does not apply. Each Sponsored Principal and Sponsor will be deemed to represent and warrant to the Clearing House on each date on which there is a transfer of Permitted Cover to the Clearing House in respect of an Individually Segregated Sponsored Account that neither the Sponsor nor the Sponsored Principal will claim that any use of Permitted Cover by the Clearing House in accordance with the Rules or the relevant Sponsor Agreement or Sponsored Principal Clearing Agreement is contrary to or in breach of any requirement of Applicable Law, third party right or other contractual obligation (provided that the Clearing House does not cause such breach by amending these Rules).
  - (iv) Rule 504(f) does not apply. Each Sponsored Principal will transfer Permitted Cover to the Clearing House only in such a manner as is consistent with these Rules and in accordance with its obligations under the Sponsored Principal Clearing Agreement and these Rules. If the Sponsor is operationally responsible for meeting calls for Permitted Cover on behalf of the Sponsored Principal, the Sponsor shall require and receive collateral from the Sponsored Principal or fund such Permitted Cover only in such a manner as is consistent with these Rules and in a manner which allows the Sponsored Principal to transfer Permitted Cover to the Clearing House in accordance with its obligations under the Sponsored Principal Clearing Agreement and these Rules.
  - (v) Rule 504(h) and (i) apply to Individually Segregated Sponsored Accounts in the manner expressly set out therein.
  - (vi) Nothing in this Part 5 requires a Sponsored Principal to transfer Guaranty Fund Contributions to the Clearing House.

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*Without prejudice to the status of any other provision of these Rules, including Part 9, the provisions of this Part 12 are intended to also constitute 'default rules' for purposes of the Companies Act 1989 and constitute "default procedures" for purposes of article 48 of EMIR, "default rules and procedures" for purposes of section 5b(c)(2)(G) of the CEA, "rules on the moment of entry and irrevocability" of a system as referred to in Article 22a of the Settlement Finality Directive, "default arrangements" for the purposes of the Settlement Finality Regulations and "default procedures" for purposes of SEC Rule 17Ad-22. These rules are intended to comply with provisions of the Settlement Finality Regulations in addition to other Applicable Laws. In addition to these Rules, the Clearing House relies on its legal rights under Applicable Laws in handling Events of Default, including under EMIR, FSMA, the Companies Act 1989, the Settlement Finality Directive, the Settlement Finality Regulations, the Financial Collateral Directive, the Financial Collateral Regulations, the U.S. Bankruptcy Code and the FSMR, as applicable.*

***Rule 1201 Introduction and Interpretation***

- (a) The Clearing House is the system operator of a Designated System for the purposes of the Settlement Finality Regulations in respect of Transfer Orders. In addition, Part VII of the Companies Act 1989 applies in respect of Contracts, the 'default rules' and 'default proceedings' of the Clearing House and certain other matters related to the Clearing House.
- (b) Clearing Members and other Participants are subject to various obligations and requirements as a result of the Settlement Finality Regulations and Companies Act 1989. Clearing Members and other Participants must comply with, facilitate compliance by the Clearing House with, and comply with any action taken by the Clearing House pursuant to, the Settlement Finality Regulations or the Companies Act 1989. Furthermore, various modifications to Applicable Laws relating to Insolvency affecting Clearing Members and other Participants apply pursuant to the Settlement Finality Regulations and Companies Act 1989.
- (c) Each Participant in the Designated System is on notice of the provisions of this Part 12. Each Participant shall, by participating in the Designated System, be deemed to have agreed that:
  - (i) (without prejudice to the generality of the provisions of any Clearing Membership Agreement), the provisions set out in this Part 12 apply to and shall bind such Participant (and to any Insolvency Practitioner appointed for, or with powers in respect of, it) in connection with such Participant's participation in the Designated System; and
  - (ii) (without prejudice to the generality of Rule 102(f)), to the extent that there is any conflict between any provision of this Part 12 and any provision of any agreement (including any AFI Agreement) or any contractual or non-contractual obligation

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which may arise or exist from to time between any Participant and the Clearing House, the relevant provision of this Part 12 shall prevail, control, govern and be binding upon the parties (regardless of the date of entry into or amendment of any such agreement or obligation).

- (d) The term "**AFI Agreement**" means a payment services agreement between the Clearing House and an Approved Financial Institution.
- (e) The term "**Default Arrangements**" means the Rules and Procedures relating to, or that can be exercised upon, an Event of Default including, without limitation, all of Part 9 and Part 11 and this Part 12 of the Rules and Procedures relating thereto and any and all actions, omissions, powers and arrangements of the Clearing House pursuant to such Rules or Procedures.
- (f) The term "**Designated System**" means the system operated by the Clearing House consisting of the formal arrangements, between the Clearing House and Participants including the common rules (including the Rules and the Procedures) and the standardised arrangements (including the AFI Agreements, Investment Agency Agreements, Clearing Membership Agreements, Sponsored Principal Clearing Agreements, Sponsor Agreements and other agreements involving the Clearing House, Clearing Members, Sponsored Principals, Sponsors, Approved Financial Institutions, Concentration Banks, Investment Agent Banks and Emissions Registries, provided that in the event of any conflict between any provision of the Rules or Procedures and any provision of any such agreement or arrangements, the provision of the Rules or Procedures shall prevail, control, govern and be binding on the parties) and related functionality for the effecting of Transfer Orders between the Clearing House and Participants which, *inter alia*:
  - (i) enable the Clearing House to give instructions and to place at the disposal of Clearing Members amounts of money on the account of Approved Financial Institutions;
  - (ii) enable Clearing Members to give instructions and to place at the disposal of the Clearing House amounts of money on the accounts of Approved Financial Institutions;
  - (iii) enables the Clearing House to give instructions and make transfers between its accounts at Approved Financial Institutions, Concentration Banks and Investment Agent Banks;
  - (iv) enables the Clearing House to give instructions and make transfers between Individually Segregated Margin-flow Co-mingled Accounts and between Segregated Gross Indirect Accounts by way of book entry through its own systems;

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- (v) enable the Clearing House and Clearing Members to fulfil the obligations they incur in respect of Contracts and otherwise to one another pursuant to the Rules;
  - (vi) enable transfers, assignments and novations of Contracts between Clearing Members or following a Default;
  - (vii) enable transfers of Non-Cash Collateral to or to the order of the Clearing House and Clearing Members;
  - (viii) enable Bilateral CDS Transactions and CDS Trade Particulars to give rise to CDS Contracts;
  - (ix) enable FX Trade Particulars to give rise to FX Contracts;
  - (x) enable F&O Block Transactions to give rise to Contracts;
  - (xi) facilitate physical settlement obligations under CDS Contracts and obligations for the delivery of Deliverables that are SFD Securities or Emission Allowances under F&O Contracts; and
  - (xii) facilitate supplementary and incidental matters to the satisfaction of obligations pursuant to Contracts and the collection and payment of amounts due in respect of Contracts or Permitted Cover.
- (g) [The term "Emission Allowance Collateral" means any Permitted Cover that is in the form of an Emission Allowance.](#)
- (h) ~~(g)~~ The term "**Indirect Participant**" means any Disclosed Principal Member or Customer, provided that: (i) it is an 'indirect participant', within the meaning of the Settlement Finality Regulations, in the Designated System; (ii) the identity of that Disclosed Principal Member or Customer has been notified to the Clearing House in writing by the Clearing Member; (iii) the Clearing House has accepted such notification and treatment as an indirect participant in writing (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, an Indirect Participant); and (iv) such Disclosed Principal Member or Customer has executed such agreement as is prescribed by the Clearing House from time to time in order for it to become contractually bound by these Rules and this Part 12 in particular.
- (i) ~~(h)~~ The term "**Intermediary Financial Institution**" means any bank or branch used by a System Bank, whether as banker, corresponding banker, intermediary or agent, for the fulfilment of a Payment Transfer Order, that is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, such a person).
- (j) ~~(i)~~ The term "**Investment Agent Bank**" means a bank used by the Clearing House for the deposit of cash prior to such cash being invested. An Investment Agent Bank may also be an Approved Financial Institution or Concentration Bank.

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- (k) ~~(j)~~—The term "**Investment Agency Agreement**" means an agreement between an Investment Agent Bank and the Clearing House, including in respect of the deposit of cash prior to such cash being invested.
- (l) ~~(k)~~—The term "**Non-Cash Collateral**" means any Permitted Cover that is in the form of an SFD Security.
- (m) ~~(l)~~—The term "**Participant**" means the Clearing House, each Clearing Member, each Sponsored Principal, each Approved Financial Institution, each Concentration Bank, each Investment Agent Bank, each Intermediary Financial Institution, each Custodian and each Emissions Registry, in the case of any such Person (other than the Clearing House) to the extent that it is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, a Participant).
- (n) ~~(m)~~—The term "**Payment Transfer Order**" means a payment transfer order (as defined in the Settlement Finality Regulations) that is a New Contract Payment Transfer Order, Credit/Debit Payment Transfer Order, ISOC Credit/Debit Payment Transfer Order, CH Account Payment Transfer Order or TARGET2 Payment Transfer Order subject to this Part 12.
- (o) ~~(n)~~—The term "**Securities Transfer Order**" means a securities transfer order (as defined in the Settlement Finality Regulations) that is a Position Transfer Order, [Collateral Transfer Order](#), [Emission Allowance](#) Collateral Transfer Order, F&O Block Clearing Order, Transaction Clearing Order, CDS Physical Settlement Order, Security Derivative Delivery Order or Emission Allowance Delivery Order subject to this Part 12.
- (p) ~~(o)~~—The term "**SFD Custodian**" means any Custodian used by a Clearing Member or the Clearing House for the holding or transfer of Non-Cash Collateral that is subject of a Collateral Transfer Order provided that such person is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this ~~o~~[Part 12](#) shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, such a person).
- (q) ~~(p)~~—The term "**SFD Security**" means a 'security', as defined in the Settlement Finality Regulations, but excluding any Emission Allowances.
- (r) ~~(q)~~—The term "**System Bank**" means an Approved Financial Institution, Concentration Bank or Investment Agent Bank.
- (s) ~~(r)~~—The term "**Transfer Order**" means a Payment Transfer Order or a Securities Transfer Order.
- (t) ~~(s)~~—The term "**TARGET2**" means the real-time gross settlement system owned and operated by the Eurosystem.

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- (u) ~~(t)~~ The term "**TARGET2 Component System**" means the real-time gross settlement system of any Eurosystem central bank that forms part of TARGET2, or the real-time gross settlement system of a non-Eurosystem central bank connected to TARGET2 pursuant to a specific agreement, where the operator of any such system is a Concentration Bank.
- (v) ~~(u)~~ The term "**TARGET2 Concentration Bank**" means a Concentration Bank which is the operator of a TARGET2 Component System.
- (w) ~~(v)~~ The term "**TARGET2 PM Account**" refers to a cash account of the Clearing House in TARGET2 and has the same meaning as "PM account" set out in the applicable TARGET2 Terms and Conditions, where the Clearing House is the account holder and a TARGET2 Concentration Bank is the banker of that PM account.
- (x) ~~(w)~~ The term "**TARGET2 Terms and Conditions**" means the terms and conditions that apply in respect of participation in the relevant TARGET2 Component System.
- (y) ~~(x)~~ The term "**ICE Post Trade and Clearing Systems**" or the "**ICE Systems**" means the trade registration, clearing processing and finance hardware and software used by the Clearing House and Clearing Members from time to time, as further described in the Procedures.
- (z) ~~(y)~~ No transfer orders (as defined in the Settlement Finality Regulations) shall arise, enter the Designated System or become irrevocable under these Rules except as set out in this Part 12.
- (aa) ~~(z)~~ The Clearing House and each Clearing Member with a Pledged Collateral Account that is a Participant in the Designated System acknowledge and agree that: (i) all forms of Permitted Cover provided as Pledged Collateral constitute "realisable assets"; and (ii) Pledged Collateral is provided under a "charge or a repurchase or similar agreement" which has been entered into "for the purpose of securing rights and obligations potentially arising in connection with a designated system", for purposes of the Settlement Finality Regulations. Accordingly, the Clearing House and each such Clearing Member that is a Participant in the Designated System intend and agree that: (a) Pledged Collateral constitutes both "collateral security" and "collateral security in connection with participation in a designated system" for purposes of the Settlement Finality Regulations; and (b) the Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement, any Pledged Collateral Addendum, Rules and Contracts insofar applicable to Pledged Collateral constitute a "collateral security charge" in respect of the Pledged Collateral, for purposes of the Settlement Finality Regulations.
- (bb) ~~(aa)~~ In relation to an Individually Segregated Sponsored Account, any reference to a Clearing Member in this Part 12 shall be interpreted as a reference to the Sponsored Principal, provided that where a Transfer Order applies to, is binding on or is irrevocable

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with respect to a Sponsored Principal, it shall also apply to, be binding on or be irrevocable with respect to the Sponsor.

***Rule 1202 Transfer Orders Arising***

- (a) Subject to regulation 20 of the Settlement Finality Regulations, a Payment Transfer Order shall arise and shall enter the Designated System immediately and automatically upon:
- (i) in relation to a Contract that forms in accordance with Rule 401(a) (excluding any F&O Contract arising under Rule 401(a)(vii)) at the time that a Contract arises under Rule 401 (such Payment Transfer Order, a "**New Contract Payment Transfer Order**");
  - (ii) the Clearing House sending an instruction for payment to or from the Clearing House pursuant to Rule 302, Rule 502 to Rule 503 and/or the Finance Procedures (such Payment Transfer Order, a "**Credit/Debit Payment Transfer Order**");
  - (iii) the Clearing House making an instruction for the transfer of an amount standing to the credit of one Individually Segregated Margin-flow Co-mingled Account to another Individually Segregated Margin-flow Co-mingled Account using the same position-keeping account or for the transfer of an amount standing to the credit of one Segregated Gross Indirect Account to another Segregated Gross Indirect Account using the same position-keeping account, pursuant to Rule 503(k) and the Finance Procedures (such Payment Transfer Order, an "**ISOC Credit/Debit Payment Transfer Order**");
  - (iv) the Clearing House sending an instruction by means of a SWIFT message, other electronic message, fax, telephone or other means to a System Bank (excluding a TARGET2 Concentration Bank) to transfer a sum of money from an account of the Clearing House at such System Bank (excluding a TARGET2 Concentration Bank) to an account of the Clearing House at the same or a different System Bank (such Payment Transfer Order, a "**CH Account Payment Transfer Order**"); or
  - (v) the moment the Clearing House's TARGET2 PM Account is debited with funds, or the Clearing House's TARGET2 PM Account is credited with funds, pursuant in either case to the Clearing House sending an instruction by means of a SWIFT message to the applicable TARGET2 Concentration Bank in compliance with the TARGET2 Terms and Conditions ("**TARGET2 Payment Transfer Order**").
- (b) Subject to regulation 20 of the Settlement Finality Regulations, a Securities Transfer Order shall arise and shall enter the Designated System immediately and automatically upon:
- (i) if either:

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- (A) the Clearing House, the relevant Market (if any) and the two Clearing Members involved (both being Participants) have already agreed to a transfer, assignment or novation of Contracts from one Clearing Member to another Clearing Member pursuant to Rule 408(a)(i);
- (B) a request is accepted by the relevant Market (if any) or the Clearing House in respect of an allocation from one Clearing Member to another Clearing Member for purposes of Rules 401(a)(viii) and 401(e); or
- (C) the Clearing House has declared an Event of Default under Rule 901 and any Contracts to which a Defaulter is party are proposed to be transferred from the Defaulter to another Clearing Member (being a Participant) pursuant to the Clearing House's powers under Rule 903, Rule 904, Rule 905 or otherwise,

in either case, instructions for settlement of the transfer, assignment, novation or allocation in question being effected through the ICE Systems at the relevant settlement transfer deadline for the relevant Contract (such Securities Transfer Order, a "**Position Transfer Order**");

- (ii) the Clearing House accepts, through the ICE Systems, that a Clearing Member has validly requested either:

- (A) the transfer of Non-Cash Collateral to or to the order of the Clearing House; or

- (B) a transfer to that Clearing Member or to its order of Non-Cash Collateral

(such Securities Transfer Order, in either case, a "**Collateral Transfer Order**");

- (iii) the Clearing House accepts, through the ICE Systems and in accordance with the Finance Procedures, that a Clearing Member has validly requested either:

- (A) the transfer of Emission Allowance Collateral to or to the order of the Clearing House; or

- (B) a transfer to that Clearing Member or to its order of Emission Allowance Collateral from the Clearing House in circumstances in which that transfer is no longer conditional under the Finance Procedures,

(such Securities Transfer Order, in either case, an "**Emission Allowance Collateral Transfer Order**");

- (iv) ~~(iii)~~ in respect of an F&O Block Transaction at the point at which the relevant details of the relevant Transaction have passed through the credit filter and risk controls of both relevant Clearing Members in the ICE Systems (such Securities Transfer Order, a "**F&O Block Clearing Order**");



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- (v) ~~(iv)~~ in respect of CDS Trade Particulars or FX Trade Particulars submitted for Clearing in relation to a Bilateral CDS Transaction or FX transaction already recorded in Deriv/SERV or a Repository, as the case may be, the Clearing House providing a report to a Clearing Member after it has checked whether CDS Trade Particulars or FX Trade Particulars submitted for Clearing are consistent with the records submitted by another Clearing Member and, where applicable, with the records in Deriv/SERV or a Repository (such Securities Transfer Order, a **"Subsisting Transaction Clearing Order"**);
- (vi) ~~(v)~~ in respect of CDS Trade Particulars or FX Trade Particulars other than as referred to in ~~(iv)~~(v) above submitted for Clearing, the Clearing House issuing an Acceptance Notice or FX Acceptance Notice in accordance with Rule 401(a)(ix) or (xii) to a Clearing Member through the ICE Systems (such Securities Transfer Order, a **"New Transaction Clearing Order"** and, together with a Subsisting Transaction Clearing Order, **"Transaction Clearing Order"**);
- (vii) ~~(vi)~~ (A) the Clearing House being provided with a copy of a notice delivered by a Matched CDS Buyer to a Matched CDS Seller in a Matched Pair of a Notice of Physical Settlement in respect of Matched CDS Contracts, where the Notice of Physical Settlement specifies an instrument to be delivered that is an SFD Security; or (B) the Clearing House being provided with a copy of a notice delivered by a Matched CDS Buyer to a Matched CDS Seller in a Matched Pair of a NOPS Amendment Notice in respect of Matched CDS Contracts, where the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security but where the Notice of Physical Settlement (including, as amended by any previous NOPS Amendment Notice) had specified an instrument that is not an SFD Security as the instrument that was to be delivered (either such Securities Transfer Order, a **"CDS Physical Settlement Order"**);
- (viii) ~~(vii)~~ delivery of an SFD Security as a Deliverable is required following expiry of a relevant Future or following exercise of a relevant Financials & Softs Contract that is an Option (such Securities Transfer Order, a **"Security Derivative Delivery Order"**);
- (ix) ~~(viii)~~ delivery of one or more Emission Allowances as a Deliverable is required following expiry or completion of the running of an auction in respect of a relevant F&O Contract (such Securities Transfer Order, an **"Emission Allowance Delivery Order"**).
- (c) If two or more Transfer Orders exist in respect of the same obligation prior to becoming irrevocable, all such Transfer Orders shall be valid. No duplication of an obligation to pay shall arise as a result of two or more Transfer Orders existing in respect of the same obligation.
- (d) The status of a Transfer Order shall not be affected by any calculation of Open Contract Position, netting, set off or closing out of a Contract to which it relates.

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- (e) Each Payment Transfer Order shall apply and have effect in respect of the following amounts:
  - (i) in the case of a New Contract Payment Transfer Order, the amount due to or from the Clearing House pursuant to the Contract Terms as a result of the Contract referred to in Rule 1202(a)(i) arising; or
  - (ii) in the case of a Credit/Debit Payment Transfer Order, ISOC Credit/Debit Payment Transfer Order, CH Account Payment Transfer Order or TARGET2 Payment Transfer Order, the amount specified in the relevant instruction referred to in Rule 1202(a);
- (f) Each Position Transfer Order shall apply and have effect in respect of the Contracts to be transferred, assigned, novated or allocated.
- (g) Each Collateral Transfer Order shall apply and have effect in respect of the Non-Cash Collateral to be transferred to or to the order of the Clearing House or Clearing Member. Each Emission Allowance Collateral Transfer Order shall apply and have effect in respect of the Emission Allowance to be transferred to or to the order of the Clearing House or Clearing Member.
- (h) Each F&O Block Clearing Order shall apply and have effect in respect of the F&O Block Transaction in question and any resulting F&O Contract.
- (i) Each Transaction Clearing Order shall apply and have effect, for CDS in respect of the CDS Trade Particulars and any Bilateral CDS Transaction in question and any resulting CDS Contract or for FX in respect of the FX Trade Particulars and any FX transaction in question and any resulting FX Contract.
- (j) Two separate CDS Physical Settlement Orders shall apply and shall have effect separately in respect of each of the CDS Contracts in the Matched Pair that are subject to a physical settlement obligation, and the instrument to be delivered pursuant thereto.
- (k) Two separate Security Derivative Delivery Orders shall apply and shall have effect separately in respect of each of the Contracts that are subject to an obligation to make delivery of an SFD Security, and the SFD Security to be delivered pursuant thereto.
- (l) Two separate Emission Allowance Delivery Orders shall apply and shall have effect separately in respect of each F&O Contract that is subject to an obligation to make delivery of an Emission Allowance, and the Emission Allowance to be delivered pursuant thereto.
- (m) Transfer Orders shall apply to, and have effect as against and between each of the following Persons, in respect of any particular Person only to the extent that such Person is a Participant or an Indirect Participant:

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- (i) in the case of a New Contract Payment Transfer Order, the affected Clearing Member (if it is a Participant) and the Clearing House and, as from and after the time of irrevocability only, the affected Approved Financial Institution;
- (ii) in the case of a Credit/Debit Payment Transfer Order or ISOC Credit/Debit Payment Transfer Order, the affected Clearing Member (if it is a Participant), the affected Approved Financial Institutions and the Clearing House;
- (iii) in the case of a CH Account Payment Transfer Order, the affected System Bank or System Banks and the Clearing House;
- (iv) in the case of a TARGET2 Payment Transfer Order, the relevant TARGET2 Concentration Bank and the Clearing House;
- (v) in the case of a Position Transfer Order:
  - (A) the Clearing Members (that are the transferor, assignor or person whose rights, liabilities and obligations are transferred, assigned or novated and the transferee, assignee or person that assumes rights, liabilities and obligations pursuant to a transfer, assignment or novation);
  - (B) each Customer and Disclosed Principal Member affected by the Position Transfer Order which is an Indirect Participant (if any); and
  - (C) the Clearing House.
- (vi) in the case of a Collateral Transfer Order:
  - (A) the Clearing Member that is the transferor or transferee of the Non-Cash Collateral in question;
  - (B) any SFD Custodian of the Clearing Member or the Clearing House; and
  - (C) the Clearing House;
- (vii) in the case of an Emission Allowance Collateral Transfer Order:
  - (A) the Clearing Member that is the transferor or transferee of the Emission Allowance in question;
  - (B) the Emissions Registry holding the account of the Clearing Member from or to which the delivery of the Emission Allowance will take place;
  - (C) the Emissions Registry holding the account of the Clearing House from or to which the delivery of the Emission Allowance will take place;
  - (D) any SFD Custodian of the Clearing Member or the Clearing House; and

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(E) the Clearing House;

(viii) ~~(vii)~~ in the case of an F&O Block Clearing Order:

- (A) each Clearing Member that has submitted or confirmed details of the F&O Transaction;
- (B) any Affiliate or Customer of the Clearing Member that was party to an F&O Block Transaction and which is an Indirect Participant (if any); and
- (C) the Clearing House;

(ix) ~~(viii)~~ in the case of a Transaction Clearing Order:

- (A) each Clearing Member that has submitted or confirmed details of the Transaction;
- (B) any Affiliate of a Clearing Member that is or was party to a Bilateral CDS Transaction or FX transaction and which is an Indirect Participant (if any); and
- (C) the Clearing House;

(x) ~~(ix)~~ in the case of a CDS Physical Settlement Order:

- (A) each Clearing Member in the Matched Pair; and
- (B) the Clearing House;

(xi) ~~(x)~~ in the case of a Security Derivative Delivery Order:

- (A) each Clearing Member that is party to a relevant Financials & Softs Contract under delivery;
- (B) any SFD Custodian of the Clearing Member or the Clearing House; and
- (C) the Clearing House;

(xii) ~~(xi)~~ in the case of an Emission Allowance Delivery Order:

- (A) each Clearing Member that is party to a relevant F&O Contract under delivery;
- (B) the Emissions Registry holding the account of the Clearing Member from or to which the delivery of the Emission Allowance will take place;
- (C) the Emissions Registry holding the account of the Clearing House from or to which the delivery of the Emission Allowance will take place; and

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(D) the Clearing House.

- (n) Where a Transfer Order applies to a System Bank, it shall also apply to and be effective against any Intermediary Financial Institution used by that System Bank.
- (o) Where a Transfer Order applies additionally to an Indirect Participant, the liability of any Participant pursuant to the same Transfer Order shall not be affected.

***Rule 1203 Transfer Orders Becoming Irrevocable***

- (a) A Credit/Debit Payment Transfer Order shall become irrevocable at the time when the Approved Financial Institution sends a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that the relevant payment will be or has been made. An ISOC Credit/Debit Payment Transfer Order shall become irrevocable at the time when the Clearing House updates its records to reflect the transfer.
- (b) A CH Account Payment Transfer Order shall become irrevocable at the time when the System Bank of the account from which payment is to be made sends a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that the relevant payment will be or has been made.
- (c) A TARGET2 Payment Transfer Order shall become irrevocable at the earlier of: (i) the moment the Clearing House's TARGET2 PM Account is debited or the moment the Clearing House's TARGET2 PM Account is credited; or (ii) when or during the period in which any algorithm referred to in Appendix I of the TARGET2 Terms and Conditions commences or is running (if applicable).
- (d) Without prejudice to Rule 1205(h) and Rule 1205(i), a New Contract Payment Transfer Order shall become irrevocable upon an Approved Financial Institution sending a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that amount to which the New Contract Payment Transfer Order relates (as specified in Rule 1202(e)(i)) will be or has been made.
- (e) A Position Transfer Order shall become irrevocable at the time when the definitive record of the Open Contract Position of the Clearing Member (that is the assignee, transferee or person that assumes rights, liabilities and obligations pursuant to a novation) is updated as a result of a successful position transfer clearing run in the ICE Systems to reflect the transfer, assignment or novation of Contracts which are given effect pursuant to the Position Transfer Order.
- (f) A Collateral Transfer Order [for transfer to the Clearing House](#) shall become irrevocable at the earlier of the time when: (i) the Clearing House receives the Non-Cash Collateral; or (ii) any related securities transfer order (which relates to the same subject matter as the Collateral Transfer Order but which a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System) becomes

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- irrevocable. A Collateral Transfer Order for transfer to the Clearing Member shall become irrevocable at time when the Clearing Member receives the Non-Cash Collateral.
- (g) An Emission Allowance Collateral Transfer Order for transfer to the Clearing House shall become irrevocable at the earlier of the time when: (i) the Clearing House accepts through its systems and in accordance with the Finance Procedures the transfer request in respect of the relevant Emission Allowances submitted by the Clearing Member; (ii) the Clearing House receives the Emission Allowance into its account at the Emissions Registry; (iii) any related order (which relates to the same subject matter as the Collateral Transfer Order but which is either (A) a securities transfer order in a designated system for purposes of Directive 98/26/EC, which is not the Designated System or (B) an order or transaction arising pursuant to the rules or terms of a relevant Emissions Registry) becomes irrevocable within that other designated system or Emissions Registry; or (iv) the record of the Emissions Registry becomes conclusive evidence of the Clearing House's title to the relevant Emission Allowance pursuant to Applicable Law. An Emission Allowance Collateral Transfer Order for transfer to the Clearing Member shall become irrevocable when the Clearing Member receives the Emission Allowance in circumstances in which the record of the Emissions Registry becomes conclusive evidence of the Clearing Member's title to that Emission Allowance pursuant to Applicable Law.
- (h) ~~(g)~~ An F&O Block Clearing Order shall become irrevocable at the time that the Clearing House becomes party to resulting Contracts with the Clearing Members in question, pursuant to Rule 401(a)(iii).
- (i) ~~(h)~~ A Transaction Clearing Order shall become irrevocable, for CDS when the time specified pursuant to the CDS Procedures occurs for the acceptance of the resulting CDS Contracts in question or for FX when the time specified pursuant to the FX Procedures occurs for the acceptance of the resulting FX Contracts in question, pursuant to Rule 401(a)(xii).
- (j) ~~(i)~~ A CDS Physical Settlement Order shall become irrevocable at the earliest of: (i) the time when the Matched CDS Buyer in the Matched Pair has submitted irrevocable instructions to a Custodian for the transfer of securities to or to the account of the Matched CDS Seller; (ii) the time at which the instrument subject to physical settlement is delivered or assigned or at which physical settlement obligations are otherwise discharged; or (iii) if the Matched CDS Buyer or Matched CDS Seller has (in the absence of any Matching Reversal Notice or not later than one Business Day after any Matching Reversal Notice) given notice to the Clearing House in accordance with Rule 1511 or the CDS Procedures (as applicable) that the relevant Matched Pair have settled the relevant Matched CDS Contracts, at the time of such notice.
- (k) ~~(j)~~ A Security Derivative Delivery Order shall become irrevocable at the earlier of the time when: (i) the Clearing House (or a Clearing Member that is due to receive delivery directly from another Clearing Member under Part 7) receives the SFD Security into its account; ~~or~~ (ii) any related securities transfer order (which relates to the same subject

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matter as the Security Derivative Delivery Order but which is a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System) becomes irrevocable within that other designated system.

- (l) ~~(k)~~ An Emission Allowance Delivery Order for transfer to the Clearing House shall become irrevocable at the earlier of the time when: (i) the Clearing House or Clearing Member (whichever is due to receive delivery pursuant to the F&O Contract in question) receives all the Emission Allowances that are subject to the Emission Allowance Delivery Order into its account at the Emissions Registry; ~~or~~ (ii) any related order (which relates to the same subject matter as the Emission Allowance Delivery Order but which is either (A) a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System or (B) an order or transaction arising pursuant to the rules or terms of a relevant Emissions Registry) becomes irrevocable within that other designated system or Emissions Registry; or (iii) the record of the Emissions Registry becomes conclusive evidence of the Clearing House's title to the relevant Emission Allowance pursuant to Applicable Law. An Emission Allowance Delivery Order for transfer to the Clearing Member shall become irrevocable when the Clearing Member receives the Emission Allowance in circumstances in which the record of the Emissions Registry becomes conclusive evidence of the Clearing Member's title to that Emission Allowance pursuant to Applicable Law.
- (m) ~~(l)~~ As from the time when a Transfer Order becomes irrevocable, it shall not be revoked or purported to be revoked by any Participant or the Clearing House and shall be binding upon all Participants.
- (n) ~~(m)~~ Transfer Orders shall be legally enforceable, irrevocable and binding on parties in accordance with this Part 12 including on the occurrence of an Event of Default.

***Rule 1204 Variations to or Cancellation of Transfer Orders***

- (a) This Rule 1204 applies only to a Transfer Order that is not irrevocable and:
- (i) in the case of any Transfer Order, it is affected by manifest or proven error or an error that is agreed so to be by all affected Participants;
- (ii) in the case of a New Contract Payment Transfer Order, Credit/Debit Payment Transfer Order, ISOC Credit/Debit Payment Transfer Order, Position Transfer Order, Security Derivative Delivery Order or Emission Allowance Delivery Order, it relates to a Contract which is (or a Transaction or CDS Trade Particulars which, if accepted, would be):
- (A) void *ab initio* pursuant to Rule 403;
- (B) avoided pursuant to Rule 404; or

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- (C) amended as a result of the Clearing House exercising its discretion pursuant to Rule 104 or otherwise pursuant to these Rules; or
  - (iii) without prejudice to the generality of Rule 1204(a)(i), in the case of a Subsisting Transaction Clearing Order, if an error or omission is noted by or notified to the Clearing House prior to the Acceptance Time or the data in the CDS Trade Particulars or FX Trade Particulars to which the Subsisting Transaction Clearing Order relates is otherwise capable of being amended in accordance with the CDS Procedures or FX Procedures (as applicable);
  - (iv) in the case of a CDS Physical Settlement Order, if a NOPS Amendment Notice is validly delivered by the Matched CDS Buyer in accordance with Rule 1505 and Rule 1509; or
  - (v) without prejudice to the generality of Rule 1204(a)(i), (ii) or (iii), in the case of an F&O Block Clearing Order or Transaction Clearing Order, it relates to a Transaction which is, or CDS Trade Particulars which are, not eligible for Clearing or which is or are not accepted for Clearing by the Clearing House.
- (b) Subject to Rule 1204(d), (e), (f) and (g), neither the validity nor the irrevocability of any Transfer Order shall of itself be affected by any event described in Rule 1204(a) occurring.
  - (c) The terms of all Transfer Orders that have not become irrevocable shall each be subject to a condition (which, if not satisfied, shall enable the Clearing House to exercise its rights under this Rule 1204) that the circumstances described in Rule 1204(a) have not occurred.
  - (d) If any of the circumstances described in Rule 1204(a) has occurred, the amount payable, Contracts to be transferred or to arise or SFD Securities, Emission Allowances or Non-Cash Collateral to be delivered pursuant to the affected Transfer Order may at the discretion of the Clearing House be increased, decreased or otherwise varied, as necessary, to reflect the payments, transfers, Contracts, assignments, novations, SFD Securities, Emission Allowances, Non-Cash Collateral or deliveries that would have been required:
    - (i) in the case of Rule 1204(a)(i) applying, had there been no error;
    - (ii) in the case of Rule 1204(a)(ii)(A), Rule 1204(a)(ii)(B) or Rule 1204(a)(v) applying, had no Contract, Transaction or CDS Trade Particulars ever arisen, occurred or been submitted;
    - (iii) in the case of Rule 1204(a)(ii)(C) applying, had the Contract always been subject to such amended terms as are agreed or determined;



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- (iv) in the case of Rule 1204(a)(iii) applying, had the details of the CDS Trade Particulars always been corrected or amended as permitted in accordance with the CDS Procedures; or
  - (v) in the case of Rule 1204(a)(iv) applying and the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security, had the Notice of Physical Settlement been originally issued as amended pursuant to the NOPS Amendment Notice
- (any such variation, a "Transfer Order Variation").
- (e) A Transfer Order Variation may be effected only by the Clearing House delivering a notice of amendment of an existing Transfer Order to all affected Participants. Valid delivery of a NOPS Amendment Notice in accordance with Rules 1505 and 1509 by a Matched CDS Buyer in a Matched Pair shall be deemed to constitute notice by the Clearing House for purposes of this Rule 1204(e) in respect of a Transfer Order Variation to a CDS Physical Settlement Order, if the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security.
  - (f) If any of the circumstances described in Rule 1204(a) has occurred, the Transfer Order in question may at the discretion of the Clearing House alternatively be cancelled. Any such cancellation may be effected by the Clearing House serving a notice of cancellation on all affected Participants. In respect of an F&O Block Clearing Order or Transaction Clearing Order, such notice shall be deemed to have been given if the Clearing House (or, in the case of an F&O Block Clearing Order, any Market) rejects a Transaction or CDS Trade Particulars for Clearing.
  - (g) A CDS Physical Settlement Order shall be cancelled immediately and automatically if and when a copy is provided to the Clearing House of a validly delivered NOPS Amendment Notice specifying an instrument for delivery which is not an SFD Security.
  - (h) A Security Derivative Delivery Order shall be cancelled immediately and automatically if, prior to it becoming irrevocable, the issuer of the SFD Security that is the Deliverable becomes subject to an Insolvency, redeems all its SFD Securities of a kind which would have been the Deliverables for the delivery or another event occurs under which delivery obligations are substituted for cash settlement obligations under the Contract Terms.
  - (i) An Emission Allowance Delivery Order [or Emission Allowance Collateral Transfer Order](#) shall be cancelled immediately and automatically if, prior to it becoming irrevocable, an Emissions Registry that is used by the Clearing House or the Clearing Member becomes subject to an Insolvency or otherwise permanently ceases operations.
  - (j) This Rule 1204 does not affect the ability of the Clearing House to take steps giving rise to a new Transfer Order of opposite effect to an existing Transfer Order or part thereof if any of the events described in Rule 1204(a) occur. No Transfer Order Variation shall preclude the cancellation of a Transfer Order in any circumstances in which a Transfer

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Order may alternatively be cancelled by the Clearing House. The ability of the Clearing House to cancel or vary a Transfer Order shall not preclude a Transfer Order Variation from taking effect.

***Rule 1205 Termination of Transfer Orders***

- (a) Each Payment Transfer Order shall be satisfied immediately and automatically upon all payments required pursuant to the Payment Transfer Order being received in cleared funds or full satisfaction of the relevant underlying obligations is otherwise made and recorded in the Clearing House's systems, in either case not subject to any Encumbrances (except as envisaged under a Pledged Collateral Addendum).
- (b) Each Position Transfer Order shall be satisfied immediately and automatically at the same time that it becomes irrevocable under Rule 1203(d) (whereupon all Contracts to which the Transfer Order in question relates will have been transferred, assigned or novated pursuant to the Rules).
- (c) Each Collateral Transfer Order or Emission Allowance Collateral Transfer Order for transfer to the Clearing House shall be satisfied immediately and automatically at the later of the time when: (i) the Clearing House receives the Non-Cash Collateral in its account; or (ii) the definitive record of the Permitted Cover transferred by the Clearing Member that is the transferor is updated in the ICE Systems to reflect the successful transfer of Non-Cash Collateral to or to the order of the Clearing House pursuant to the Collateral Transfer Order. Each Collateral Transfer Order or Emission Allowance Collateral Transfer Order for transfer to the Clearing Member shall be satisfied immediately and automatically at the later of the time when: (i) the Clearing Member receives the Non-Cash Collateral or Emission Allowances in its account; or (ii) the definitive record of the Permitted Cover transferred by the Clearing House is updated in the ICE Systems to reflect the successful transfer of Non-Cash Collateral or Emission Allowances to or to the order of the Clearing House pursuant to the Collateral Transfer Order or Emission Allowance Collateral Transfer Order.
- (d) A Transaction Clearing Order or F&O Block Clearing Order shall be satisfied immediately and automatically at the same time that the relevant resulting Contracts arise under Rule 401(a).
- (e) A CDS Physical Settlement Order shall be satisfied immediately and automatically at the time when the Clearing House updates its records of the relevant CDS Contracts in the ICE Systems to reflect that either physical delivery of the security in question has been completed or the delivery obligations of the parties under the relevant CDS Contracts have otherwise been discharged or settled.
- (f) A Security Derivative Delivery Order shall be satisfied immediately and automatically at the time when the Clearing House (or a Clearing Member to whom delivery is to be made directly from another Clearing Member under Part 7) receives the SFD Security that is the Deliverable, unencumbered in its account.

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- (g) An Emission Allowance Delivery Order shall be satisfied immediately and automatically at the time when the Clearing House or Clearing Member that is to receive delivery of the Emission Allowance receives the Emission Allowance that is the Deliverable, unencumbered in its account at the relevant Emissions Registry.
- (h) If a Credit/Debit Payment Transfer Order or ISOC Credit/Debit Payment Transfer Order becomes irrevocable in respect of the same obligation to which a New Contract Payment Transfer Order relates, the New Contract Payment Transfer Order shall automatically be satisfied and shall not become irrevocable. It is acknowledged that New Contract Payment Transfer Orders will generally terminate in accordance with this Rule 1205(h) when standard Clearing and payment processes apply.
- (i) A New Contract Payment Transfer Order relating to an F&O Contract shall be satisfied immediately and automatically if and at the point that the relevant F&O Transaction or Contract is transferred or allocated to another Clearing Member pursuant to Rule 401(a)(viii) or Rule 408(a)(ii) or has become subject to a Position Transfer Order that has itself become satisfied under Rule 1205(b).

***Rule 1206 Provision of Information by the Clearing House and Participants***

- (a) The Clearing House and any Participant must provide, upon payment of a reasonable charge, the following information to any person who requests it, save where the request is frivolous or vexatious, within 14 days of a request being made:
  - (i) details of the Designated System; and
  - (ii) information about the Rules relevant to the functioning of the Designated System.
- (b) The Clearing House will provide a copy of information referred to in Rule 1206(a) to any Clearing Member upon request.

***Rule 1207 Notice to the Bank of England***

- (a) Any notice which under Rule 204(a)(viii) must be copied to the Bank of England, shall be sent to the following addresses:
- (b) Bank of England:  
  
The Senior Manager, Payment Systems Oversight  
Financial Resilience Division, HO-3  
Bank of England  
Threadneedle Street  
London EC2R 8AH  
Fax: 020 7601 3217
- (c) Any such notice will only be effectively served, filed, made or provided and delivered to the Bank of England:

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- (i) if sent by post, on the fifth Business Day (or tenth Business Day in the case of airmail) after the day on which it was deposited in the post, full postage prepaid, in a correctly addressed envelope;
  - (ii) if delivered in person to the officer or department specified, at the time of delivery or, if not delivered during business hours on a Business Day, on the following Business Day.
- (d) Any notice by fax shall not be effective until hard copy confirmation is served pursuant to Rule 1207(c).

***Rule 1208 Settlement Finality under Abu Dhabi Global Market Laws***

Clearing Members and other Participants acknowledge that various modifications to Applicable Laws in the Abu Dhabi Global Market relating to Insolvency, which may affect Clearing Members, the Clearing House and other Participants, apply pursuant to the FSMR. Clearing Members and other Participants are hereby given notice that such modifications apply in relation to a broader range of circumstances than those defined in this Part 12, for example as regards the settlement and delivery of any product or security that is subject of a Contract or Customer-CM Transaction following expiry or close-out of the Contract or Customer-CM Transaction pursuant to these Rules. As a result, and for example, the FSMR confers settlement finality protections as a matter of the laws of the Abu Dhabi Global Market not merely as regards delivery of an SFD Security that is a Deliverable pursuant to a Security Derivative Delivery Order, but in respect of the delivery of all Deliverables pursuant to Contracts or Customer-CM Transactions upon expiry or close-out of such Contracts or Customer-CM Transactions.

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~~1-September-2021~~

## 1. GENERAL

1.1 **These Finance Procedures are 'Procedures' as defined in the ICE Clear Europe rules (the "Rules") and are subject to the Rules, including, without limitation, Rule 102. These Finance Procedures set out details on how Clearing Members' and Sponsored Principals' financial obligations are met, including the provision of cash and securities to the Clearing House.**

1.2 The Clearing House will execute and initiate a range of financial transactions on a daily basis to manage Clearing Members' and Sponsored Principals' requests, rights, liabilities and obligations. Such transactions will result in payments being made to cover Margin obligations and to pay fees, among others. ICE Clear Europe has established a network of Approved Financial Institutions for this purpose. This is also known as the "Assured Payment System" or "APS".

1.3 These Finance Procedures apply in relation to F&O Clearing, CDS Clearing and FX Clearing.

1.4 Subject to paragraph 1.5 to 1.10 below, these Finance Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these Finance Procedures will be subject to arbitration under Rule 117.

1.5 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these Finance Procedures inasmuch as they relate solely to an issue or matter concerning:

- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
- (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these Finance Procedures (such provisions, together or separately "Pledged Collateral Matters") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.6 For the avoidance of doubt, paragraph 1.5 is an exception to paragraph 1.4 and Rule 102(s) which provide that the Finance Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.5, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these Finance Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal on the one hand and the Clearing House on the other hand;
- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal;
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and

- (f) the Contract Terms of all Contracts.
- 1.7 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "New York Courts"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:
- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
  - (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.
- 1.8 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.7 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 heard in the New York Courts.
- 1.9 Nothing in paragraphs 1.4 to 1.10 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.
- 1.10 EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE FINANCE PROCEDURES OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:
- (a) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PERSON BOUND BY THESE RULES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF ANY SUCH DISPUTE, SEEK TO ENFORCE THE FOREGOING WAIVER; AND
  - (b) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THESE RULES, ALL CONTRACTS AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THESE RULES, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN PARAGRAPHS 1.4 to 1.10.
- 1.11 The following terms shall have the meaning specified below where they are used in these Procedures:
- (a) "CZK" means the lawful currency from time to time of the Czech Republic;
  - (b) "DKK" means the lawful currency from time to time of the Kingdom of Denmark;
  - (c) "HUF" means the lawful currency from time to time of Hungary;

- (d) “JPY” means the lawful currency from time to time of Japan;
- (e) “NOK” means the lawful currency from time to time of the Kingdom of Norway;
- (f) “PLN” means the lawful currency from time to time of the Republic of Poland;
- (g) “TRY” means the lawful currency from time to time of the Republic of Turkey; and
- (h) “ZAR” means the lawful currency from time to time of the Republic of South Africa.

## 2. CASH COLLATERAL

- 2.1 The Clearing House will support transactions and account holdings in six currencies: USD, GBP, EUR, CAD, CHF and SEK. Initial Margin, Original Margin and FX Original Margin obligations may be met only in USD, GBP and EUR. Other currencies may be used by Clearing Members and Sponsored Principals only for the receipt of income on non-cash Permitted Cover with coupons payable in those currencies. CAD may also be used for Variation Margin and settlement payments only for Energy Contracts which settle in CAD (whether in whole or in part). AUD, CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK TRY and ZAR may also be used for Variation Margin and settlement payments only for Financials & Softs Contracts which settle in such currencies (whether in whole or in part).
- 2.2 The Clearing House supports cross currency collateral, which means that it is not necessary to cover Margin requirements in the same currency as the underlying Contract (other than Variation Margin in accordance with Rule 502(c)). The relevant exchange rate applied is the rate determined by the daily concertation procedure between central banks within and outside the European System of Central Banks (currently published by the European Central Bank at <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html#latest>) on the day or business day prior to the date on which the exchange rate is calculated by the Clearing House or, in the event that such rate is not available, a reasonable exchange rate determined by the Clearing House at its discretion. The Clearing House may impose a “haircut” on any Original Margin provided in a currency other than the reference currency to cover fluctuations in exchange rates. Applicable exchange rate haircuts will be published from time to time by Circular. Haircuts will be determined as set out in paragraph 13.7 of these Finance Procedures.
- 2.3 Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin is transferred to and from the Clearing House by way of outright transfer. Accordingly: (i) no Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin is subject to any Pledged Collateral Addendum or the pledge referred to in paragraph 7.2; and (ii) there is excluded from the requirement in Rule 1603(c) for Margin to be provided by an FCM/BD Clearing Member in respect of a Customer Account in the form of Pledged Collateral, any Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin so provided to or by the Clearing House by outright transfer of cash.

## 3. TRIPARTY COLLATERAL

### General

- 3.1 Clearing Members may use Triparty Collateral to cover Original Margin, Initial Margin and FX Original Margin requirements for certain Accounts, as specified in Circulars concerning the use of Permitted Cover. This facility is available to Clearing Members at the discretion of the Clearing House. The facility is available, and this paragraph 3 applies equally, to Sponsored Principals in the same way as it applies to Clearing Members, save as expressly set out in paragraph 3.2, subject to Part 19 of the Rules. The Clearing House reserves the right to terminate this arrangement at any time. The service is provided in cooperation with the following Triparty Collateral Service Providers:

Euroclear Bank

Clearstream Banking.



- 3.2 These Finance Procedures should be read in conjunction with the Terms and Conditions and the Operational Procedures of the Triparty Collateral Service Providers. The legal basis underpinning the collateral consists of (i) the Collateral Service Agreement (or equivalent document) (CSA) of the Triparty Collateral Service Provider; (ii) the Clearing Membership Agreement (CMA, for Clearing Members) or Sponsored Principal Clearing Agreement (SPCA, for Sponsored Principals); and (iii) in respect of securities collateral which is transferred pursuant to a Pledged Collateral Addendum, such Pledged Collateral Addendum. The Collateral Giver (under the CSA) must be the same legal entity as the Clearing Member (under the CMA) or, in respect of an Individually Segregated Sponsored Account, the Disclosed Principal (under the SPCA).
- 3.3 The following definitions apply to these Triparty Collateral Procedures:
- (a) The term “Triparty Collateral Service Provider” or “Provider” means the institution offering the Triparty Collateral Service.
  - (b) The term “Triparty Collateral Instruction” or “Instruction” means: (i) the instruction to transfer to or withdraw from the Clearing House, sent to the Clearing House by the Clearing Member, or (ii) the initiation, amendment or closure instructions sent by the Clearing House or the Clearing Member to the Triparty Collateral Service Provider.
  - (c) The term “Triparty Collateral Transaction” or “Transaction” means the transaction which is created after matching and settlement of the instructions from both the Clearing House and the Clearing Member at the Triparty Collateral Service Provider.
  - (d) The term “Fill” or “Filling” means the transfer of eligible securities and cash from the Clearing Member to the Clearing House in accordance with the Triparty Collateral Transaction.

#### **Collateral Service Agreement**

- 3.4 In order to use Triparty Collateral a CSA must be executed between the Clearing Member, the Clearing House and the Provider. This CSA contains terms and conditions, eligible securities and cash (Annex I), Eligibility Set profiles (Annex II) and Fee specifications (Annex III).
- 3.5 The Clearing House retains the right to add, adjust or remove any currency or any collateral type from the relevant list of eligible securities or change other components in the Eligibility Set profile at any time. The Clearing House will inform the Clearing Member and provide him with revised documentation as appropriate. The Clearing Member will be deemed to accept the revision proposed by the Clearing House and must inform the Provider of its acceptance within five business days. Rejection or delay in informing the Provider may result in a reduction in collateral value of the Triparty Collateral.
- 3.6 A Clearing Member may request an exclusion of asset types from the list of eligible securities and cash. Adjustments to other parts of the CSA will not be accepted by the Clearing House.

#### **Triparty Collateral Service**

- 3.7 The Clearing Member is allowed to transfer to the Clearing House Triparty Collateral in the three currencies currently supported by the Clearing House for Original Margin, Initial Margin and FX Original Margin (USD, GBP and EUR).
- 3.8 Instructions can be given for same day or for next business day settlement. Same day instructions will adjust the relevant collateral value when the Instructions are matched and settled and the Transaction is filled. Transfers for next day settlement will receive collateral value in the next overnight clearing process of the Clearing House. Withdrawals for next day settlement will have an immediate effect on the value of the Clearing Member’s collateral but will actually settle in the market in the next overnight settlement process of the Provider.
- 3.9 The Clearing House has opened accounts with each Triparty Collateral Service Provider, the account numbers of which will be confirmed, from time to time, by the Clearing House along with the details, if

applicable, of how Clearing Members are able to use a Pledged Collateral Addendum (other than a Pledged Collateral Addendum relating to Customer Account Margin of an FCM/BD Clearing Member) in connection therewith.

### **Instruction**

- 3.10 In order to initiate, amend or close a Transaction the Clearing Member must instruct the Clearing House using ECS (as defined in the Delivery Procedures). The mandatory fields to be completed are:
- (a) Asset type
  - (b) Service provider
  - (c) Risk profile
  - (d) Settlement date (instruction date or next business day)
  - (e) Currency
  - (f) Amount of adjustment
- 3.11 Settlement accounts and the risk profile are considered to be static data and are stored in ECS. Clearing Members are not required to include this information in the initial instruction, amendment or closure towards the Clearing House. The static data is used by the Clearing House to create instructions to the Provider.
- 3.12 Please note that in ECS the Clearing Member must enter the increase or decrease in value of the Transaction. This is in contrast with the Instruction to the Triparty Collateral Service Provider which quotes the new Transaction value.
- 3.13 In ECS an entry in “add new collateral” will generate an initiation of a Triparty Collateral Transaction, an adjustment (“+” or “-“) will create an adjustment to the value of an existing Transaction and a reduction to zero will result in a closure.

### **Matching or Settlement Instructions**

- 3.14 Matching and settlement can only take place during the normal settlement window of the Provider. Unmatched instructions will be cancelled after the last matching possibility on the day on which the relevant instructions are issued has elapsed.
- 3.15 The Clearing House will provide updated information on the settlement status of Instructions through ECS. Clearing Members are responsible for monitoring the status of the Instructions. The status of an instruction as matched or not matched is not advised by the Clearing House and the Clearing Member must confirm this directly with the relevant Provider.
- 3.16 It is the responsibility of the Clearing Member to ensure that instructions from ECS and the matching instruction to the Provider match correctly. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a settlement system, Provider or the Clearing Member.

### **Cancellation requests and cancellation of pending instructions**

- 3.17 Clearing Members can only cancel an instruction prior to the time that the Clearing House sends the instruction to the Provider. After the Clearing House has sent the Instruction, the Clearing House will assume that the Instruction has been completed.

- 3.18 All unmatched Instructions are automatically cancelled at the end of each day in ECS. If the Instruction is unmatched and cancelled but the Clearing Member still wishes to initiate, amend or close the Transaction then the Clearing Member has to re-instruct the following business day.

#### **Settlement deadlines**

- 3.19 Deadlines will be set out and updated in the Clearing House's Circulars.
- 3.20 Based on the market deadlines, the Clearing House has set the following deadlines for Triparty Collateral Instructions:
- SAME DAY settlement 15.00 pm (UK TIME)
- NEXT DAY settlement 16.00 pm (UK TIME)
- 3.21 Any instruction after this time will not be accepted by ECS. Instruction prior to the deadline will be released to the Provider and have the possibility to match and settle until the end of the Provider's business day.

#### **Holidays affecting settlement systems**

- 3.22 On bank holidays and other days on which payments are required to be made in another currency pursuant to paragraph 6.1(h)(viii), it will or may not be possible to create Instructions. These dates will be advised by Circular from the Clearing House. On these days, Clearing Members will need to use alternative settlement systems and/or types of collateral to cover relevant Margin requirements.

#### **Collateral transfers (transaction filling)**

- 3.23 It is the Clearing Member's responsibility to make sufficient cash or securities available to transfer to the account of the Clearing House up to the value of the Transaction. The Clearing House will have the right to raise an additional margin requirement when insufficient cash or securities are transferred to the Clearing House to Fill in accordance with the Transaction.
- 3.24 An intra-day requirement will be raised for the value of the uncovered part of the Transaction. After the deadline has passed the Clearing House will calculate and raise the intra-day requirement using the information provided by the Triparty Collateral Service Provider.
- Deadline Triparty Collateral 9.00 am (UK TIME).

- 3.25 The additional requirement will not be released before the next end-of-day clearing process.
- 3.26 Cash might be used as collateral for the Triparty Collateral during the day. Cash remaining in a Transaction overnight on the account of the Clearing House will not be treated as cash collateral upon completion of the relevant transfer to the Clearing House and no interest return will be paid.

#### **Collateral value of Triparty Collateral**

- 3.27 The Clearing House is allowed to adjust the collateral value of the Triparty Collateral Transaction by applying a haircut to the Triparty Collateral. Notification in advance by the Clearing House will not be provided.

#### **Termination of the Collateral Service Agreement**

- 3.28 The Clearing House reserves the right to terminate a Collateral Service Agreement at any time at its own discretion. Pending Triparty Collateral Transactions must be replaced by alternative permitted cover before the Transactions are closed.

#### **Corporate actions**

- 3.29 Transfer of cash (including the cash proceeds of any securities) into the Clearing House accounts may only be executed through a transfer of title pursuant to the Clearing Membership Agreement. Transfer of securities into the Clearing House accounts may be executed either (i) through a transfer of title pursuant to the Clearing Membership Agreement or (ii) through delivery of possession pursuant to a Pledged Collateral Addendum. The Clearing House will become beneficial owner of all proceeds resulting from any holdings of securities. All proceeds from Triparty Collateral, less any deduction or withholding for or on account of tax required by Applicable Law, will be passed on to the member by the Triparty Collateral Service Provider in satisfaction of the Clearing House's obligations in respect of such proceeds under clause 4.4 of the Clearing Membership Agreement. The Clearing House, as collateral taker, provides access to information on income payments, redemptions or corporate events in relation to collateral securities provided to the collateral taker.
- 3.30 The Clearing House will be the beneficial owner of all securities title to which is transferred to the Clearing House and the withholding of tax is based on the tax status of the Clearing House. We strongly recommend that the Clearing Member should withdraw or exclude the collateral which is subject to the corporate action as the Clearing House is not liable for any deviations in taxation and does not assist in the reclaiming of tax.

#### **Default**

- 3.31 The Clearing House will inform the Triparty Collateral Service Provider of an event of default of the Clearing Member according to the terms and regulations of the CSA. The Clearing House Rules regarding the liquidation of the collateral can be found in the Clearing Member Agreement.
- 3.32 At the request of an F&O Clearing Member, the Clearing House may, in its sole discretion, agree to enter into a collateral purchase agreement with a third party collateral purchaser and such F&O Clearing Member (and in the case of an Individually Segregated Margin-flow Co-mingled Account, the relevant Customer), under which the Clearing House will agree to offer for sale to the third party collateral purchaser Triparty Collateral transferred to the Clearing House by such F&O Clearing Member for a Proprietary Account or Individually Segregated Margin-flow Co-mingled Account in respect of F&O Contracts, in the event of the F&O Clearing Member being declared a Defaulter under the Rules. Any proceeds of such sale will be included in the relevant net sum pursuant to Rules 905(b)(vii) and 906(a). The Clearing House shall have no obligation to enter into any such agreement, and the identity of any such third party collateral purchaser (and, in the case of an Individually Segregated Margin-flow Co-mingled Account, the relevant Customer) must be approved by the Clearing House pursuant to criteria established by the Clearing House. Any such collateral purchase agreement must be in the form approved by the Clearing House for such purposes from time to time.

#### **4. ASSURED PAYMENT SYSTEM: ACCOUNTS**

- 4.1 Each Clearing Member must as a minimum maintain the following accounts at one or more Approved Financial Institutions:
- (a) up to six Nominated Proprietary Bank Accounts (also known as 'house' accounts) linked to each Proprietary Account, denominated in up to one each of USD, GBP, EUR, CAD, CHF and SEK as follows, subject to paragraph 4.2:
    - (i) all Clearing Members must have an account, denominated in USD;
    - (ii) all CDS Clearing Members must have an account denominated in EUR;
    - (iii) all F&O Clearing Members and FX Clearing Members must additionally have at least one further account denominated in either GBP or EUR;
    - (iv) a Clearing Member which has an Open Contract Position in a contract for which EUR, GBP, USD or CAD is the settlement currency must have an account denominated in such currency;

- (v) a Clearing Member that transfers non-cash Permitted Cover to the Clearing House which pays a coupon, interest or redemptions must have an account in the currency of such coupon, interest or redemption; and.
  - (vi) an F&O Clearing Member that is a Financials & Softs Clearing Member and is party to Financials & Softs Contracts which settle in AUD, CAD, CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY or ZAR must have an account in each such currency.
- (b) for an F&O Clearing Member that is a Non-FCM/BD Clearing Member, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency used by it for each of its different Customer Accounts (other than Margin-flow Co-mingled Accounts, in respect of which a single Nominated Customer Bank Account shall be used), the relevant currencies being USD, GBP, EUR, AUD, CAD, CHF, SEK, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY and ZAR, based on the same principles as set out in 4.1(a)(i) to (vii);
- (c) for an F&O Clearing Member that is an FCM/BD Clearing Member and which has one or more Customer Accounts, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency for each of its Non-DCM/Swap Customer Accounts, Swap Customer Accounts, DCM Customer Accounts and General Customer Accounts, the relevant currencies being USD, GBP, EUR, AUD, CAD, CHF, SEK, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY and ZAR, based on the same principles as set out in 4.1(a)(i) to (v) for each such Customer Account;
- (d) for F&O Clearing Members, a Guaranty Fund account denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or a USD guaranty fund account for CDS);
- (e) for CDS Clearing Members, a Guaranty Fund account, denominated in EUR for CDS (which may be the same account as a EUR Nominated Proprietary Bank Account);
- (f) if a CDS Clearing Member is approved to become party to Sovereign Contracts, an additional Guaranty Fund account denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or the USD Guaranty Fund account for F&O Guaranty Fund Contributions or FX Guaranty Fund Contributions); and
- (g) for FX Clearing Members, a Guaranty Fund account, denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or the USD Guaranty Fund account for CDS Guaranty Fund Contributions or FX Guaranty Fund Contributions);
- (h) if a Non-FCM/BD Clearing Member is a Sponsor in respect of an Individually Segregated Sponsored Account and is appointed by the Sponsored Principal and agrees to operate Nominated Bank Accounts for the Individually Segregated Sponsored Account, such further accounts as would be required of each such Sponsored Principal pursuant to paragraph 4.4.
- 4.2 If a Clearing Member is more than one of: (i) an F&O Clearing Member; or (ii) a CDS Clearing Member, that Clearing Member is treated for the purposes of the Clearing House's banking systems as if it were two Clearing Members. Such a Clearing Member may specify the same Nominated Bank Accounts for a particular Nominated Bank Account for both CDS and F&O or may use different Nominated Bank Accounts for the different product classes. Accordingly, it may have up to twelve Nominated Proprietary Bank Accounts, one for each currency for each of CDS and F&O. Where a Clearing Member requests more than one Proprietary Account or more than one Customer Account of the same Customer Account Category (other than Individually Segregated Sponsored Accounts, Margin-flow Co-mingled Accounts or by using "F" for an additional omnibus Customer Account), the Clearing Member will be set up on the Clearing House's systems as if it were two Clearing Members and each account of the same Customer Account Category will use the same account code but with a different Clearing Member mnemonic. Any such additional Customer Account may be dedicated for purposes of indirect clearing of positions relating to the indirect clients of a Customer of the Clearing Member.

- 4.3 Nominated Proprietary Bank Accounts, Nominated Customer Bank Accounts and Guaranty Fund accounts must be accounts at Approved Financial Institutions but need not all be at the same Approved Financial Institution.
- 4.4 Each Sponsored Principal must as a minimum maintain (or procure that its Sponsor, if it is a Non-FCM/BD Clearing Member maintains) the following accounts at one or more Approved Financial Institutions:
- (a) up to six Nominated Bank Accounts linked to the Individually Segregated Sponsored Account, denominated in up to one each of USD, GBP, EUR, CAD, CHF and SEK as follows, subject to paragraph 4.2:
    - (i) all Sponsored Principals must have an account denominated in USD;
    - (ii) all Sponsored Principals that clear CDS must have an account denominated in EUR;
    - (iii) all Sponsored Principals that clear F&O or FX must additionally have at least one further account denominated in either GBP or EUR;
    - (iv) all Sponsored Principals that have an Open Contract Position in a contract for which EUR, GBP, USD or CAD is the settlement currency must have an account denominated in such currency;
    - (v) a Sponsored Principal which transfers non-cash Permitted Cover to the Clearing House which pays a coupon, interest or redemptions in USD, EUR, GBP, CAD, CHF or SEK must have an account in that currency; and
    - (vi) a Sponsored Principal that clears Financials & Softs Contracts which settle in AUD, CAD, CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY or ZAR must have an account in each such currency.
- 4.5 ECS will be used for payments. Successful applicants for membership or Sponsored Principal status will be issued with log-ins and given training in the use of ECS. ECS will be used by Clearing Members and Sponsored Principals to give instructions in respect of certain transactions relating to the transfer of cash and securities to the Clearing House and when there is excess Permitted Cover in place that the Clearing Member or Sponsored Principal requests be returned. The Clearing House will be entitled to act upon instructions made through ECS by the Clearing Member or any of its Representatives. In respect of an Individually Segregated Sponsored Account, the Clearing House will be entitled to act upon instructions made through ECS by either the Sponsor or the Sponsored Principal or any of their Representatives. The accounts described in paragraph 4.1 are the only accounts that may be used for day-to-day transfers to and from the Clearing House through ECS.
- 4.6 The Clearing House operates Clearing House Accounts in each of the currencies at each Approved Financial Institution and separately for each different Customer Account and Proprietary Account business of Clearing Members and separately for F&O, CDS and FX, as mentioned in paragraph 4.2. Such separation by the Clearing House is undertaken to comply with Applicable Laws and provide administrative benefits to Clearing Members. Upon an Event of Default being declared, amounts in all Proprietary Accounts of a Clearing Member may be combined and set off (subject to and in accordance with the Rules and paragraph 4.2), and amounts relevant to a single separate Customer Account may be combined and set off with one another but not with any other Account, as set out in the Rules.
- 4.7 Additionally, the Clearing House will hold Clearing House Accounts at Concentration Banks in order to facilitate transfers between accounts at Approved Financial Institutions.

## 5. ASSURED PAYMENT SYSTEM: PROCEDURES

- 5.1 Each Clearing Member and Sponsored Principal (or, if a Sponsor operates a Nominated Bank Account for the Sponsored Principal, the Sponsor) will be required to have in place at all times a standard debit

mandate, allowing the Clearing House to call funds from its Nominated Bank Accounts, established in the relevant Approved Financial Institution's standard form ("**Third Party Authority Form**"). Pursuant to the Clearing Membership Agreement, each Clearing Member must at all times have in place a duly executed Third Party Authority Form in favour of each Approved Financial Institution used by it and in respect of each of its Nominated Bank Accounts. Pursuant to the Sponsored Principal Clearing Agreement and Sponsor Agreement, each Sponsored Principal must at all times have in place a duly executed Third Party Authority Form executed by the Sponsored Principal or Sponsor in favour of each Approved Financial Institution used by it and in respect of each of its Nominated Bank Accounts. Pursuant to Clearing Membership Agreements (and, where applicable, Sponsored Principal Clearing Agreements and Sponsor Agreements) and arrangements between the Clearing House and Approved Financial Institutions, the Clearing House is given various powers, including to take any action as it in its discretion determines in the Clearing Member's (or, where applicable Sponsor's and Sponsored Principal's) or the Clearing House's name in connection with a Clearing Member's (or, where applicable Sponsor's and Sponsored Principal's) Nominated Bank Accounts. Approved Financial Institutions will act upon any instructions received from the Clearing House in relation to the Nominated Bank Accounts without any further reference to, or authority from, a Clearing Member.

- 5.2 Changes in APS account details must be notified at least five Business Days in advance.
- 5.3 It is the responsibility of each Clearing Member and Sponsored Principal to have sufficient funds in its Nominated Bank Accounts to enable all cash transfers required under the Rules to be settled. Approved Financial Institutions will not be able to reverse any payment from or to a Clearing House Account without receipt of authorisation from the Clearing House evidenced in writing.
- 5.4 Clearing Members and Sponsored Principals (or their Sponsors) will be advised of debits from or credits to their physical accounts by the standard SWIFT advices of debit and credit (MT900 and MT910 respectively) or otherwise in accordance with arrangement established with Approved Financial Institutions.
- 5.5 Clearing Members and Sponsored Principals must ensure that Approved Financial Institutions make payment to the Clearing House Account at the same Approved Financial Institution within the time periods specified in Table 1. The Clearing House will notify all affected Approved Financial Institutions if a contingency method is to be invoked, which will occur if an Approved Financial Institution or the Clearing House experiences a technology failure that affects either of their ability to send or receive SWIFT messages. In the event that no payment notification is received from an Approved Financial Institution by the time specified in Table 1, the Clearing House will be permitted to act as if the funds have not and will not be received, which includes the declaration of an Event of Default in respect of any affected Clearing Member or Sponsored Principal. In such circumstances, the Clearing House will use its reasonable endeavours to determine the cause of the late notification with the relevant Approved Financial Institutions. The remittance of funds remains at all times the responsibility of Clearing Members. The Clearing House may otherwise treat funds as not having been received and take similar actions as a result of Rule 301(f). In the case of the failure or Insolvency of an Approved Financial Institution used by a Clearing Member or Sponsored Principal in circumstances in which an amount is not treated as having been paid as a result of Rule 301(f), the amount must still be paid (through a further payment, if necessary) by a Clearing Member or Sponsored Principal using alternative methods or a different Approved Financial Institution, in order to discharge the Clearing Member's or Sponsored Principal's liabilities.
- 5.6 If the Clearing House has been transferred excess cash (beyond applicable Margin requirements) by any Clearing Member or Sponsored Principal, the Clearing Member or Sponsored Principal in question is entitled to request repayment through ECS, either on an *ad hoc* basis or automatically on a daily or other regular basis. Such repayments will take place through the same systems and accounts as for payments to the Clearing House.

**TABLE 1: TIME PERIODS FOR DELIVERY OF FUNDS AND SWIFT MT900/MT910**

Type of Instruction	Time for Receipt of Instruction	Latest time for APS Bank to make payment of amount specified in Instruction and send SWIFT MT900/MT910
Routine End-of-day Instruction	For Contracts other than F&O Contracts: On or after 00:00:00 London Time on Business Day X+1 but on or before 07:59:59 on Business Day X+1  For F&O Contracts: On or after 00:00:00 London Time on Business Day X+1 but on or before 07:29:59 on Business Day X+1	Before 09:00:00 London time on Business Day X+1
Routine End-of-day Instruction for Financials & Softs Contracts that settle in currencies other than EUR, USD or GBP	On or after 00:00:00 London Time on Business Day X+1 but on or before 07:29:59 on Business Day X+1	Before 09:00:00 London time on Business Day X+2
Intra-day Instruction	For Contracts other than F&O Contracts: between 09:00:00 and 19:00:00 London time on Business Day X  For F&O Contracts: between 07:30:00 and 20:00:00 London time on Business Day X	Within one hour of instruction on Business Day X
Intra-day Instruction (contingency)	For Contracts other than F&O Contracts: On or after 08:00:00 on Business Day X but on or before 21:00:00 on Business Day X  For F&O Contracts: On or after 07:30:00 on Business Day X but on or before 21:00:00 on Business Day X	Within one hour of instruction on Business Day X

## 6. PAYMENTS TO AND FROM THE CLEARING HOUSE

### 6.1 General

- (a) This paragraph 6 applies to each Sponsored Principal (or, to the extent that a Sponsor operates Nominated Bank Accounts in respect of an Individually Segregated Sponsored Account, each such Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules.
- (b) Adjustments in Margin calls resulting from price changes in underlying open Contracts and other amounts due between the Clearing House and the Clearing Member will result in either a payment from the Clearing Member's relevant Nominated Bank Account by direct debit or a payment from a Clearing House Account to a Clearing Member's Nominated Bank Account (subject to Part 3 of the Rules). Pursuant to Part 3 of the Rules, payments between the Clearing House and a Clearing Member may be set off and consolidated into end-of-day or *ad hoc*



payments in respect of each Account (other than Margin-flow Co-mingled Accounts, in respect of which single combined payments may be used) pursuant to the Standard Payments Mechanism. Under the Standard Payments Mechanism, Margin payments are combined with all other amounts due and payable pursuant to the Rules and discussed further in this paragraph. As an alternative to the Standard Payments Mechanism, Clearing Members will be able to elect for upfront fees, Mark-to-Market Margin, FX Mark-to-Market Margin, Variation Margin or other payments to be excluded from the Standard Payments Mechanism by selecting the Externalised Payments Mechanism for any such classes of payments in respect of a particular Account, subject to the written consent of the Clearing House. Details of the payments to Clearing Members which can be included under the Externalised Payments Mechanism are set forth in Rule 302 and paragraph 6.1(i).

- (c) Payments will be executed as an intra-APS-bank, between accounts, book transfer from the relevant Nominated Bank Account to a Clearing House Account at the same Approved Financial Institution. Payment into Clearing Members' Nominated Bank Accounts will generally take place through a similar book transfer. However, if insufficient funds are available within the relevant Clearing House Account at that Approved Financial Institution, the remaining balance may be transferred from a Clearing House Account at another Approved Financial Institution or Institutions.
- (d) In ECS, Clearing Members have the ability to set standing instructions to return all funds above applicable Margin requirements or above a threshold (if higher). Such standing instructions can only be set for cash collateral. For currencies which can be used only for Variation Margin and settlement payments, credits are automatically returned to the Clearing Member's account regardless of any standing instructions to the contrary.
- (e) If a Clearing Member has not established standing instructions in ECS, it may manage its cash accounts by giving manual instructions. An increase in cash positions through ECS will result in a direct debit from the relevant Nominated Bank Account of the Clearing Member. A reduction in cash positions will result in a payment from a Clearing House Account to one of the Clearing Member's Nominated Bank Accounts. ECS does not permit requested reductions or standing instructions to result in a Clearing Member holding any positions below applicable Margin and Guaranty Fund Contribution requirements.

All instructions for *ad hoc* withdrawals of cash must be received by:

Currency	Instruction deadline
GBP	Same day 10.00 a.m.
EUR	Same day 10.00 a.m.
USD	Same day 11:45 a.m. (Eastern time)

No *ad hoc* withdrawals of cash will be possible on the same day if instructions are received after these deadlines. The Clearing House may require any Clearing Member to reduce excess cash on account with the Clearing House or may specify that excess cash on account above a certain threshold does not receive interest.

- (f) Clearing Members are able to enter cash transfers for value next day. These requests need to be entered and approved by Clearing Members prior to end of day, but the Clearing House will only be obliged to accept such transfers on the following morning after receipt. Following receipt and acceptance by the Clearing House in ECS, the changes resulting from *ad hoc* cash credits will take effect immediately notwithstanding the previous sentence. This paragraph 6.1(f) is subject at all times to Rule 301(f).

- (g) Overnight payments must be made to the Clearing House at or before 09:00 on the morning following a call. *Ad hoc* payments must be made within one hour of an instruction being issued by the Clearing House through ECS. In relation to overnight pending transactions, any withdrawals or transfers instructed after the relevant deadline will be rejected by ECS. For risk management reasons, the Clearing House will be entitled to delay any payments that are due to be paid to the Clearing Member pursuant to this paragraph 6.1 in any currency in respect of an Account, if the Clearing Member (or any Affiliate of the Clearing Member) has failed to pay to the Clearing House any overnight payment in any currency due following a call issued to the Clearing Member (or any Affiliate of a Clearing Member) for payment by 09:00 on the morning following the relevant call. For such purposes, the relevant Clearing Member will be deemed to be subject to an equivalent additional Margin requirement pursuant to Rule 502(g) until such time as the other payment is made or the Clearing House notifies it that the additional Margin requirement has been released.
- (h) The Clearing House will not provide Clearing Members with any specific notifications or confirmations after the execution of a cash movement. Clearing Members may instead find details of all instructions in daily and other reports available through the ECS graphical user interface (“GUI”). After execution, the status of an instruction within ECS will change from ‘pending’ to ‘processed’.
- (i) The following sub-paragraphs describe the various payments that may be included in any cash transfer:
- (i) *Variation Margin (for F&O Contracts), Mark-to-Market Margin (for CDS Contracts) and FX Mark-to-Market Margin (for FX Contracts)*

Daily Calls: Pursuant to Rule 503, all Contracts will be revalued and subject to Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin calls and resulting settlement payments on a daily basis for settlement next day for payments in currencies other than EUR, USD and GBP or same day for payments in other currencies in accordance with Table 1. Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin requirements are calculated and settled only in cash. The standard process will be for adjustments to be calculated and payments ordinarily to be executed in the currency of the relevant Contracts (or underlying Contracts). Once the resulting settlement payments of Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin in respect of the relevant daily call have been paid in cleared funds, the value of the Contracts will be reset to zero. Under the Standard Payments Mechanism, liabilities resulting from Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin requirements will be included in the overnight call or return. Where the Externalised Payments Mechanism applies in respect of Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin for a particular Account, such cash payments will be settled through a separate cash flow and not included in a combined overnight call or return as would apply under the Standard Payments Mechanism. The specific timings, payments and Accounts that are subject to the Externalised Payments Mechanism will be confirmed to the relevant Clearing Member by the Clearing House.

Intra-day Calls: Contracts may also be marked to market and subject to an additional Initial Margin, Original Margin or FX Original Margin call (the proceeds of which may be applied against future Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin calls) on an *ad hoc* intra-day basis. Affected Clearing Members will be informed (not in writing) by the Clearing House in the event of an intra-day call being applicable. If the call affects a significant number of Clearing Members, the Clearing House may issue a Circular. Intra-day calls will be executed via a direct debit from the Clearing Member’s Nominated Bank Account at an Approved Financial Institution. Payment must be made within one hour. Intra-day calls will only be in USD, GBP or EUR.

Non EUR, USD or GBP payments: Any obligation to pay Variation Margin or settlement amounts on Financials & Softs Contracts in JPY must be covered with cash or non cash Original Margin in a different currency between the time of instruction and settlement.

- (ii) *Original Margin (for F&O Contracts), Initial Margin (for CDS Contracts) and FX Original Margin (for FX Contracts)*

Daily Calls: Pursuant to Part 5 of the Rules, Original Margin, Initial Margin and FX Original Margin requirements will be recalculated on a daily basis. Requirements will be calculated and payments will ordinarily be executed in the currency of the relevant Contracts (or underlying Contracts). Under the Standard Payments Mechanism, liabilities resulting from Original Margin, Initial Margin and FX Original Margin requirements will be included in the overnight call or return. When the Externalised Payments Mechanism applies in respect of Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin for a particular Account, cash payments will be settled through a separate cash flow and not included in a combined overnight call or return. The specific timings, payments and Accounts that are subject to the Externalised Payments Mechanism will be confirmed to the relevant Clearing Member by the Clearing House

Intra-day Calls: Original Margin, Initial Margin and FX Original Margin may also be subject to *ad hoc* intra-day recalculations and calls. Affected Clearing Members will be informed (not in writing) by the Clearing House in the event of an intra-day call being applicable. If the call affects a significant number of Clearing Members, the Clearing House may issue a Circular. Intra-day Original Margin, Initial Margin and FX Original Margin calls will be executed via a direct debit from the Clearing Member's Nominated Bank Account at an Approved Financial Institution. Payment must be made within one hour. Intra-day calls will only be in USD, GBP or EUR.

Clearing Members can specify the currency in which Original Margin, Initial Margin and FX Original Margin deficits are called. In order to enable this facility Clearing Members will have to complete and return the ICE Clear Europe Margin Deficit Currency Form.

As explained in the Clearing Procedures, in the event that an intra-day Margin call is anticipated, the Clearing House will contact the Clearing Member by phone to notify them of the requirement. This will be followed by written notification distributed by email. Intra-day Margin calls for Contracts other than F&O Contracts can be made between 09:00 and 19:00 London time. Intra-day Margin calls for F&O Contracts can be made between 07:30 and 20:00 London time. Where a contingency method applies (see paragraph 5.5), intra-day calls in respect of any Contracts may be made up to 21:00 London time. All intra-day Margin calls must be met within 60 minutes of notification by the Clearing House. Any Margin calls made outside of these hours for a particular product must be met by the later of: (x) 60 minutes after notification by the Clearing House, provided that any settlement system used by the Clearing House for the relevant currency remains open for business at that time; or (y) 60 minutes after the time at which any settlement system used by the Clearing House for the relevant currency becomes open for business following the time of the notification by the Clearing House. Clearing Members will be able to answer the call by reducing positions (e.g. reallocation of trades/clearing give-ups), or submitting new cash and/or collateral. Margin calls are rounded to the smallest major currency unit (e.g. US dollar cents).

- (iii) *Guaranty Fund adjustments*

Each relevant Guaranty Fund Period, the total value of the Guaranty Funds and required Guaranty Fund Contributions of Clearing Members are reviewed and may be amended. Each Clearing Member will be notified of its total Guaranty Fund

Contribution requirements at each Guaranty Fund Period end. The Clearing House Contributions will also be notified to Clearing Members by Circular. Adjustments to Guaranty Fund Contributions will be notified to individual Clearing Members by e-mail to a nominated e-mail account of each Clearing Member prior to the end of the relevant Guaranty Fund Period. Adjustments to Guaranty Fund Contributions will be made five Business Days after the date of notification unless the relevant Circular specifies otherwise. Other than in exceptional circumstances, any additional required Guaranty Fund Contribution payments will be included together with overnight calls and details will be included in daily reports provided to Clearing Members through ECS.

(iv) *Interest and price alignment amounts*

The Clearing House will notify Clearing Members of its interest rate in each currency on the Business Day following the day to which the rate applies. The Clearing House rates payable (or deductible in the case of negative rates) on Original Margin, Initial Margin and FX Original Margin are referred to as the ICE Deposit Rate (IDR).

Payments or deductions on accounts in respect of interest will be made to or from Clearing Members in respect of cash, assets and securities held by the Clearing House as Margin, Guaranty Fund Contributions or Permitted Cover. The rate of return or loss (in the case of negative rates) may vary for different cash and asset classes and between types of cover. The IDR and accumulated interest over each month will be available to Clearing Members through the ECS-GUI.

Interest will be calculated on a simple daily basis and will become available for payment to or liable for deduction from Clearing Members, subject to any required deduction or withholding tax, monthly, by the fourth Business Day after the end of each month. Once credited, any positive interest is available to meet Margin payments or may be withdrawn by Clearing Members. If used to meet Margin payments, such positive interest then itself becomes eligible to accrue positive or negative interest.

Any deductions on account of interest may result in calls for Margin in respect of requirements under the Rules which are no longer being satisfied as a result of such deduction.

Price alignment amounts are payable in respect of CDS Contracts by Clearing Members and the Clearing House as set out in the CDS Procedures. FX Price Alignment Amounts are payable in respect of FX Contracts by Clearing Members and the Clearing House as set out in the FX Procedures.

(v) *Income (interest and collateral) and redemption*

The Clearing House will make payment to Clearing Members in respect of income and redemptions on non-cash assets transferred to the Clearing House as Margin, Guaranty Fund Contributions or Permitted Cover. Distributions will be executed direct to the Clearing Member by the relevant custodian pursuant to a standing instruction made by the Clearing House based on account information provided by the Clearing Member. Clearing Members are required to provide account details in relation to accounts in all applicable currencies to the Clearing House. Changes in account details must be notified at least five Business Days in advance.

Payments in respect of income on non-cash assets will be paid to Clearing Members in the same currency as the income is distributed by the relevant issuer or payment agent to the Clearing House or the relevant Custodian. Any required foreign exchange transaction following payment must be arranged by the Clearing Member and the costs of the same must be met by the Clearing Member. No currency exchange will be arranged by the Clearing House or its custodian.

If there is a failed payment in respect of income or redemption (e.g. as a result of account details being unavailable or incorrect), income may be retained by the Clearing House or custodian but will not be treated by the Clearing House as Permitted Cover. The Clearing House makes no representation or warranty to Clearing Members in respect of the promptness of payment by any issuer or payment agent, the custodian or any of its sub-custodians or agents (save for any liability which by Applicable Law may not be excluded).

(vi) *Fees and rebates*

All Market fees, Clearing House fees, delivery fees and other fees payable to the Clearing House or a Market will be calculated and charged to each Clearing Member as such fees accrue (typically on a monthly basis).

Rebates, fee discounts and incentive programme payments which have been directed by the payee or beneficiary to be paid to the account of a Clearing Member will be calculated and credited to the relevant account of the Clearing Member as such rebates, fee discounts and incentive programme payments accrue (typically on a monthly basis) and may include payments for which the payer is a Market, payments for which the payer is the Clearing House or both.

The following additional provisions apply in respect of rebate, fee discount or incentive programme payments except to the extent agreed or notified otherwise by the Clearing House from time to time. Terms, conditions and amounts of rebate, fee discount or incentive programmes may be periodically modified by the Clearing House at its sole discretion. In certain circumstances, the Clearing House may make the availability of a rebate, fee discount or incentive programme contingent on certain cleared volume levels. Rebate, fee discount and incentive programmes may be withdrawn by the Clearing House or any relevant Market at any time. Persons may be required to meet participation criteria, conditions and obligations applicable to participants in this scheme as the same may be amended or added to from time to time, in order to be able to continue to participate in any such programme. Where a rebate, fee discount or incentive programme relates to a service for which both Market trading, clearing or other fees or Clearing House clearing fees are applicable, the payer of the rebate, fee discount or incentive programme payment is the Clearing House as to the total amount of the Market and Clearing House rebate, fee discount or incentive programme payments multiplied by the percentage that Clearing House fees represent of the sum of Clearing House and Market fees. The legal entity operating the relevant Market will be the payer of the remainder of the rebate, fee discount or incentive programme payment. Where only Clearing House fees are charged or a rebate, fee discount, or incentive programme payment the payer of the entire rebate, fee discount or incentive programme payment is the Clearing House. The Clearing House or the operator of the relevant Market may arrange for one of its Affiliates or the Clearing House to make any payment in respect of rebates, fee discounts or incentive programmes on the payer's behalf. The payee in respect of a rebate, fee discount or incentive programme is the person who participates in the programme, regardless of whether such person is or is not a Clearing Member or member or participant of the relevant Market. A qualifying participant in a rebate, fee discount or incentive programme may from time to time direct that relevant payments be made directly to their account or to the account of their Clearing Member, exchange member, execution platform participant or any other third party. Any payment in accordance with such instructions shall constitute due and final payment by the Clearing House or Market to the account of the rebate, fee discount or incentive programme participant. Rebate, fee discount or incentive programme participants may direct changes to such payment arrangements from time to time by providing notice in writing to the Clearing House or the relevant Market. In the absence of any payment instructions, the Clearing House shall be entitled (but shall not be required) to make payment in respect of any rebate, fee discount or incentive

programme payment by crediting amounts to the Proprietary Account or Customer Account of the relevant Clearing Member and in doing so shall have made good discharge of its obligations and those of any Market in relation to the relevant rebate, fee discount or incentive programme payment.

Fee invoices will be made available via ECS by the fourth Business Day of each month. Fees and any applicable rebates, incentive payments or discounts will be included in the overnight call or return by the fifth Business Day after the end of each month. All fees are collected through a Clearing Member's Nominated Proprietary Bank Account. Rebates, incentive payments or discounts may be credited to a Clearing Member's Nominated Proprietary Bank Account or Nominated Customer Bank Account, as instructed from time to time by the payee.

Clearing Members that wish to query a fee invoice should contact the Clearing House Finance department on or before the 10th Business Day of the relevant month. Any required amendments will be reflected in the next billing cycle.

(vii) *Other amounts*

Any amount payable by a Clearing Member to the Clearing House (or *vice versa*) pursuant to the Rules or any Contract may be included within an end-of-day or *ad hoc* payment under the Standard Payments Mechanism. This may include premium payments (in the case of Options), settlement amounts, Surplus Collateral, delivery-related payments (e.g. Buyer's Security and Seller's Security), fines, damages, amounts payable as a result of arbitration or disciplinary proceedings, dividends and coupons and other corporate action payments relating to Investments being delivered under Financials & Softs Contracts, amounts resulting from reduced gain distributions, product terminations or non-default loss contributions under Part 9 of the Rules, and other amounts payable under the Rules.

(viii) *Applicability of Externalised Payments Mechanism to Part 9 Rules payments*

If the Externalised Payments Mechanism applies to Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin for a particular Account, then:

- (A) Margin Account Adjustments applied on Loss Distribution Days in accordance with Rule 914(e) may be netted and offset or aggregated by the Clearing House against any payment from or receivable by the relevant Contributor under either the Standard Payments Mechanism or the Externalised Payments Mechanism on the relevant Account, including against any payment for MTM/VM and, accordingly, payments of Cash Gainer Adjustments and Cash Loser Adjustments pursuant to Rule 914(l) may be made under the Standard Payments Mechanism or the Externalised Payments Mechanism at the election and discretion of the Clearing House.
- (B) Product Termination Amounts may be netted and offset or aggregated by the Clearing House against any other payment from or receivable by a Clearing Member under either the Standard Payments Mechanism or the Externalised Payments Mechanism, regardless of whether the Externalised Payments Mechanism would apply in respect of any kind of payment on the relevant Account by any other provision of these Procedures, at the election and discretion of the Clearing House.
- (C) Payments of Collateral Offset Obligations as referred to in Rule 919(m) Assessment Contributions and Guaranty Fund Contribution calls or replenishments will be made under the Standard Payments Mechanism unless the Clearing House at its discretion directs otherwise.

The specific timings, Part 9 payments and Accounts that are subject to the Externalised Payments Mechanism will be confirmed to the relevant Clearing Member by the Clearing House at the relevant time.

(ix) *Currency Holidays and payments in other currencies*

Before the start of each calendar year, the Clearing House will publish a Circular setting out details of bank/public holidays relevant to the currencies supported by the Clearing House in different jurisdictions (each, a “**Currency Holiday**”). Transfer of funds in a currency will not take place on a Currency Holiday for that currency.

If there is a Currency Holiday, the Clearing House will call and Clearing Members shall pay (or receive as applicable) Margin in another currency specified by the Clearing House. The sequence of alternative currencies to be used for F&O Contracts and FX Contracts in respect of Currency Holidays (in the absence of a Clearing Member specifying an alternative sequence for these three currencies in writing to the Clearing House) is as follows: USD, GBP and EUR. The sequence of alternative currencies to be used for CDS Contracts (in the absence of a Clearing Member specifying an alternative sequence for these three currencies in writing to the Clearing House) is as follows: EUR, USD and GBP.

If, due to a Force Majeure Event, Financial Emergency or otherwise, a transfer of funds of a currency is not possible or advisable, the Clearing House may call and Clearing Members shall pay (or receive as applicable) Margin, Guaranty Fund Contributions, fees, fines, interest, incentive payments, fee discount, rebates and all other payments (excluding final settlement payments under Contracts) in another currency specified by the Clearing House. If payments are to take place in a currency other than the contractual currency in circumstances other than a Currency Holiday, the Clearing House will issue a Circular or notify affected Clearing Members, specifying the currency to be used and the exchange rate to be applied.

Payments of Margin in a different currency on a Currency Holiday will not be netted against obligations in a currency other than that of the underlying Contract, nor paid in another currency. For Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin, payment in a different currency from the contractual currency due to a Currency Holiday will result in a delay of payments to the next day on which payment may be made in the contractual currency. Any obligation to pay Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin in a currency other than the contractual currency, including on a Currency Holiday, will result in an additional Original Margin, Initial Margin or FX Original Margin requirement, which must be covered with cash or non-cash collateral (which may be of, or be denominated in, a different currency). Any obligation to pay any other amount in a currency other than the contractual currency may result in an additional Original Margin, Initial Margin or FX Original Margin requirement, which must be covered with cash or non-cash collateral (which may be of, or be denominated in, a different currency) and which will be collected via the Standard Payments Mechanism, regardless of whether the Externalised Payments Mechanism applies to such Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin (unless the Clearing House directs otherwise). In the case of payment in a currency other than the contractual currency being required in instances other than a Currency Holiday, the Clearing House will specify in the relevant Circular how applicable obligations will be margined or netted.

Transactions in collateral on bank/public holidays in a relevant jurisdiction will not necessarily be rejected upon instruction but will be cancelled at the end of day and must be re-instructed by Clearing Members on a day which is not a bank/public holiday in the relevant jurisdiction.

- (j) Clearing Members are required to provide any information to the Clearing House and complete any forms provided by the Clearing House as may be required by the Clearing House to comply with its obligations relating to FATCA. For the purposes of this Rule, FATCA means:
- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986, as amended, and any associated legislation, regulations or guidance, or similar legislation, regulations or guidance enacted in any jurisdiction which seeks to implement similar tax reporting and/or withholding tax regimes;
  - (b) any intergovernmental agreement, treaty, regulation, guidance or any other agreement between the United Kingdom (or any UK governmental authority) and the United States or any other jurisdiction (including any governmental authority in such jurisdiction), entered into in order to comply with, facilitate, supplement or implement the legislation, regulations or guidance described in paragraph (a) above;
  - (c) any agreement pursuant to the implementation of any intergovernmental agreement, treaty, regulation, guidance or other agreement referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental authority in any other jurisdiction; and
  - (d) any legislation, regulations or guidance in the United Kingdom that give effect to the matters outlined in the preceding paragraphs.

The Clearing House's status under FATCA (and registration for any applicable Global Intermediary Identification Number, including on a protective basis) is not intended to have any effect on the Clearing House's status for the purposes of any other Applicable Law. The Clearing House's registration under FATCA shall not affect any of the rights or obligations of the Clearing House or any Clearing Member or Sponsored Principal (including, without limitation, relating to transfers of title over collateral, pledged collateral or other property rights) provided for under the Rules, Procedures, Clearing Membership Agreements, Sponsor Agreements, Sponsored Principal Clearing Agreements, Applicable Laws or otherwise, nor does it put the Clearing House on notice of any Encumbrance.

- (k) In respect of Contracts that are equity or equity index futures or options products:
- (i) No Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall enter into any Contract in any equity or equity index futures or option product with the Clearing House unless:
    - (A) such Clearing Member has entered into a qualified intermediary agreement with the U.S. Internal Revenue Service (the "IRS") to become: (y) with respect to any Proprietary Account Contract or any other Contract in respect of which such Clearing Member considers that it is acting as principal for U.S. tax purposes, a qualified derivatives dealer ("Qualified Derivatives Dealer"); and (z) with respect to any Customer Account Contract in respect of which such Clearing Member considers that it acts as an intermediary for U.S. tax purposes, a qualified intermediary that assumes the primary obligation for withholding under Chapters 3 and 4 of subtitle A of the Internal Revenue Code of 1986, as amended (the "Code") and for reporting and withholding under Chapter 61 of subtitle F and Section 3406 of the Code ("Withholding Qualified Intermediary"), such that the Clearing House may make payments of dividend equivalents (as that term is defined in Section 871(m)(2) of the Code and Treasury Regulations Section 1.871-15(c) or any successor thereto ("Dividend Equivalents")) or deemed payments to such Clearing Member free from U.S. withholding taxes imposed pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 of subtitle F and Section 3406,



of the Code arising from Contracts with the Clearing House that are entered into by the Clearing Member; and

- (B) such Contract entered into by the Clearing Member is within the scope of the exemption from withholding tax for Dividend Equivalents paid to Qualified Derivative Dealers or Withholding Qualified Intermediaries pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 of subtitle F and Section 3406, of the Code; and
- (C) such Clearing Member has qualified under such procedures promulgated by the IRS as are in effect from time to time to establish an exemption from withholding under FATCA, such that the Clearing House will not be required to withhold any amount with respect to any payment made or deemed to be made to such Clearing Member under FATCA.

A Clearing Member that enters into any Contract in breach of paragraph 6.1(k)(i)(A)-(C) must immediately bring itself into compliance or terminate the relevant Contract (without prejudice to any other rights or remedies of the Clearing House).

- (ii) On 1 January of each year, each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes and that enters into any Contract in any equity or equity index futures or option product with the Clearing House in accordance with paragraph 6.1(k)(i) shall certify to the Clearing House that such Clearing Member satisfies the requirements of paragraph 6.1(k)(i) by providing to the Clearing House appropriate tax documentation attesting to such Clearing Member's U.S. federal income tax status. Each such Clearing Member is required to promptly update its certification to the Clearing House when required by Applicable Law and, if sooner, whenever the certification is no longer accurate.
- (iii) On 1 January of each year, each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall provide the Clearing House with information relating to Dividend Equivalents the Clearing House pays or is treated as paying to such Clearing Member in sufficient detail and in a sufficiently timely manner to enable the Clearing House to report on IRS Forms 1042 and 1042-S (or successor forms) under Chapters 3 and 4 of subtitle A of the Code the required amounts and other information relating to such Dividend Equivalents and transactions giving rise thereto between the Clearing House and the Clearing Member.
- (iv) Each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall promptly notify the Clearing House in writing if it undergoes a change in circumstance that would affect its compliance with this paragraph 6.1(k), or otherwise knows or has reason to know that it is not, or will not be, in compliance with this paragraph 6.1(k), but in each case, such notice must be delivered to the Clearing House no later than within two Business Days of the Clearing Member's knowledge thereof.
- (v) The representations set forth above or for U.S. tax purposes concerning "principal" or "intermediary" status shall not affect the rights, obligations, status, position or capacity of any Clearing Member as principal or otherwise under Contracts, in respect of Margin or under the Rules or Procedures.

## 7. CUSTODY ACCOUNTS

- 7.1 Pursuant to Rule 502, Original Margin, Initial Margin and FX Original Margin requirements are payable initially in cash but a Clearing Member may at the discretion of the Clearing House substitute such cash Original Margin, Initial Margin or FX Original Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. Such transfers must first be notified to the Clearing House by the relevant Clearing Member through ECS and will not be effective and may not be made

until after the Clearing House has approved the proposed transaction in ECS. Guaranty Fund Contribution requirements may also be satisfied through non-cash assets to the extent allowed under the Rules and these Procedures. This paragraph 7.1 applies to each Sponsored Principal (or, to the extent that a Sponsor operates Nominated Bank Accounts in respect of an Individually Segregated Sponsored Account, each such Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules.

- 7.2 Pursuant to Clearing Membership Agreements and Sponsored Principal Clearing Agreements, the Clearing House receives all non-cash assets provided to it as Permitted Cover in respect of Accounts that are not Pledged Collateral Accounts pursuant to title transfer arrangements. For Pledged Collateral Accounts, pursuant to the relevant Pledged Collateral Addendum, the Clearing House is beneficiary of a pledge over non-cash assets provided to it as Permitted Cover. Non-cash assets transferred to the Clearing House by way of title transfer cease to belong to the Clearing Member, Sponsored Principal or Sponsor upon transfer to the Clearing House. Accounts available to the Clearing Members in ECS will contain information concerning the amounts and kinds of non-cash Permitted Cover that have been transferred to the Clearing House in respect of both Margin and Guaranty Fund Contributions. Non-cash Permitted Cover will be held in accounts of the Clearing House at a Custodian, central securities depository (“CSD”) or international central securities depository (“ICSD”), which accounts are in the name of the Clearing House, as permitted under regulatory technical standards under EMIR. Such accounts may be managed by a third party agent. If liquidity needs to be generated against any non-cash assets transferred to the Clearing House as Permitted Cover, for example in respect of a Defaulter’s Margin or non-defaulting Clearing Members’ Guaranty Fund Contributions following an Event of Default or when required to support liquidity funding for making payments, non-cash assets held by the Clearing House may become the subject of repurchase agreements or secured lending facilities or may be sold and as a result such assets or their proceeds may be held in other kinds of accounts. However, in the case of Margin (and Guaranty Fund Contributions which are ultimately not applied under the Rules), the Clearing House will remain liable to transfer assets of the same kind as those which were transferred, upon relevant secured obligations for the relevant Account being performed or closed out by the Clearing Member.
- 7.3 In the event that a Clearing Member wishes to lodge U.S. Government securities as Permitted Cover, Clearing Members are required to complete and return a Form W-8BEN “Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding” (non-U.S. entities) or a Form W-9 “Request for Taxpayer Identification Number and Certification” (U.S. entities). In the event that a Sponsored Principal or Sponsor wishes to lodge U.S. Government securities as Permitted Cover, the Sponsored Principal is required to complete and return a Form W-8BEN “Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding” (non-U.S. entities) or a Form W-9 “Request for Taxpayer Identification Number and Certification” (U.S. entities) specifying the name and details of the Sponsored Principal. Clearing Members, Sponsors and Sponsored Principals must inform the Clearing House of any changes in relevant tax status or the information provided in any such form. Late provision of information may result in unnecessary tax withholdings, deductions, penalties or costs. The Clearing House shall not be liable to Clearing Members, Sponsors or Sponsored Principals for any such withholdings, deductions, penalties or costs, save as provided otherwise pursuant to the CDS Procedures in relation to CDS Contracts. Where necessary, the Clearing House’s custodian will make available a tax certificate or other details which may be required for tax purposes from time to time. Declarations relating to ‘beneficial ownership’ on IRS Form W-8BEN or IRS Form W-9 are based upon U.S. tax law concepts and do not affect the transfer of title, pledge or property rights provided for under Clearing Membership Agreements, Sponsor Agreements or Sponsored Principal Clearing Agreements, nor do they put ICE Clear on notice of any Encumbrance.

## 8. **PERMITTED COVER: SECURITIES**

- 8.1 The Clearing House will publish by Circular a list from time to time setting out all security classes acceptable as non-cash Permitted Cover, specifying any restrictions for such Permitted Cover applicable by way of class or status of Clearing Member or Sponsored Principal, account or Contract. Applicable ‘haircuts’ will also be published and amended by Circular. The amount of recognised Permitted Cover at the Clearing House attributable to a particular security is the market value of the relevant security

multiplied by the applicable haircut. Within ECS, details of international security identification numbers (ISINs) for all acceptable Permitted Cover will be provided. New issues are automatically added to the list and can be selected for settlement and coverage. The Clearing House is entitled to remove securities from the list of accepted Permitted Cover or to vary haircuts at any time.

- 8.2 Clearing Members and Sponsored Principals may suggest to the Clearing House's risk department that a new class or series of permitted cover be included within the list of acceptable Permitted Cover. A request form to lodge new certificates of deposit is available on the member-only section of the Clearing House website. New classes will only be added after approval by the risk department. A limited sub-set of the acceptable securities are accepted by the Clearing House in respect of required Guaranty Fund Contributions. The Clearing House will set out and amend the list of acceptable Permitted Cover by a Circular.
- 8.3 The Clearing House does not recognise any value for non-cash collateral as from the day falling one full Business Day prior to redemption or maturity for non-cash collateral other than UK government bonds and seven full Business Days prior to redemption or maturity for non-cash collateral consisting of UK government bonds. Clearing Members and Sponsored Principals must arrange for substitute Permitted Cover on or prior to such time. The Clearing House will use endeavours (but shall not be required) to contact Clearing Members and Sponsored Principals or their Sponsors who have securities nearing maturity in order to assist with the timely lodgement of alternative Permitted Cover.
- 8.4 Notwithstanding paragraph 8.1, a Clearing Member, Sponsor or Sponsored Principal may not use any financial instrument otherwise agreed by the Clearing House to be eligible as Permitted Cover where such financial instrument is issued by such Clearing Member, Sponsor or Sponsored Principal or one of its Affiliates except in the case of a covered bond and only where the assets backing that bond are appropriately segregated within a robust legal framework which the Clearing House determines to satisfy applicable requirements under Applicable Law.

9. ~~INTENTIONALLY OMITTED.~~ PERMITTED COVER: ELIGIBLE EMISSION ALLOWANCES

General provisions and provisions applicable to both transfers to and from the Clearing House

- 9.1 This paragraph 9 applies to each Sponsored Principal (or, if a Sponsor has been appointed as responsible for making and receiving transfers in respect of Eligible Emission Allowances as Original Margin on an Individually Segregated Sponsored Account, the Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules.

This Paragraph 9 does not apply to FCM/BD Clearing Members and for the avoidance of doubt FCM/BD Clearing Members will not be permitted to use Eligible Emission Allowances to satisfy Original Margin requirements in any circumstances.

- 9.2 The following definitions apply to this part of the Finance Procedures:

- (a) "Eligible Emission Allowances" means the Emission Allowances the Clearing House has notified it will accept as Original Margin from time to time, to the extent that the same are transferred to the Clearing House as Original Margin to the Emissions Margin Account and not pursuant to an obligation under an F&O Contract to deliver a Deliverable.
- (b) "Emissions Margin Account" means one of the Clearing House's accounts at an Emissions Registry, as specified by the Clearing House from time to time for the transfer of Eligible Emission Allowances as Original Margin.

- 9.3 Clearing Members may use Eligible Emission Allowances only to satisfy Original Margin requirements for F&O Contracts in respect of which Emission Allowances are the Deliverable. The Clearing House may impose limits on the amount or value of Eligible Emission Allowances which may be provided as Original Margin and will notify Clearing Members of the same from time to time. Eligible Emission Allowances must conform to eligibility criteria set out by the Clearing House from time to time.

- 9.4 Prior to transferring to the Clearing House any Emission Allowances as Original Margin, the Clearing Member must have executed and delivered to the Clearing House an Emission Allowances Supplement.
- 9.5 Eligible Emission Allowances must be transferred to the Clearing House's Emissions Margin Account to be accepted as Original Margin. Clearing Members must ensure that all transfers of Eligible Emission Allowances to and from the Emissions Margin Account take place in accordance with the terms, conditions and applicable procedures of the relevant Emissions Registry and the Registry Regulations (as defined in the Delivery Procedures).
- 9.6 Receipt and release of Eligible Emission Allowances as Original Margin is only available on business days or working days as applicable to, set by or specified by the relevant Emissions Registry. Additionally, the Clearing House is unable to receive transfers or release Eligible Emission Allowances on non-Business Days.
- 9.7 Eligible Emission Allowances will be valued for Margin purposes and recognised in such currency or subject to such exchange rate as the Clearing House determines at its discretion from time to time.
- 9.8 The Clearing House is entitled to modify the list of accepted Permitted Cover as it relates to Eligible Emission Allowances, including without limitation by way of addition or removal of any class of Eligible Emission Allowances, not crediting any previously transferred Eligible Emission Allowances or varying haircuts on any Eligible Emission Allowances at any time.

**Procedure for transfers of Eligible Emission Allowances to the Clearing House**

- 9.9 Prior to transferring any Eligible Emission Allowances to the Clearing House as Original Margin, the Clearing Member must, in relation to that transfer:
- (a) provide details of an Emissions Registry account from which it will make the transfer and the contact details of the Person or Representative authorised to instruct the transfer on behalf of the Clearing Member. This information must be provided in the standard form specified by the Clearing House from time to time for such purposes; and
  - (b) submit a transfer request to the Clearing House via ECS.
- 9.10 Transfers of Eligible Emission Allowances must be made to the Emissions Margin Account and shall be eligible as Original Margin only if so transferred. Transfers of Eligible Emission Allowances must be made via the Emission Registry's electronic system.
- 9.11 The Clearing House has the right to not treat Eligible Emissions Allowances received into its Emissions Margin Account as Original Margin in the event that: (i) insufficient information has been supplied by the Clearing Member; (ii) the transfer is not accompanied in advance by a completed and valid form as specified in paragraph 9.9; (iii) account holders or accounts of or relating to the Clearing Member to or from which transfers of Emission Allowances have taken place have not been notified to or are not pre-approved by the Clearing House on its list of allowed counterparties or accounts; (iv) any relevant limits set by the Clearing House are exceeded; or (v) for any other reason that places or risks placing the Clearing House under additional risk or liability.
- 9.12 Eligible Emission Allowances complying with this paragraph 9 and received by the Clearing House into the Emissions Margin Account before 15:00 hours (London time) on a Business Day will be credited and reflected in Permitted Cover reports at close of business on the same Business Day. Eligible Emission Allowances received by the Clearing House into an Emissions Margin Account after 15:00 hours (London time) will not be included in Permitted Cover reports (and may be ignored by the Clearing House for purposes of determining applicable Margin requirements) until open of business on the next Business Day.
- 9.13 The record in the Clearing House's collateral system ECS will be adjusted after the Clearing House has confirmed completion of the relevant transfer in the Emissions Margin Account. The adjustment of the record will have immediate effect within ECS on the recorded value of available collateral in that system.

### Procedure for release of Eligible Emission Allowances to the Clearing Member

9.14 For any release of Eligible Emission Allowances to the Clearing Member (i.e. in the case that the Clearing Member has Surplus Collateral with the Clearing House which it wishes to reduce via a return to it of Eligible Emission Allowances), the Clearing Member must, in relation to that transfer:

- (a) provide a release request to the Clearing House using the form specified by the Clearing House from time to time for such purposes. Any transfers which are not accompanied in advance by a completed and valid release request form will not be processed; and
- (b) submit release instructions to the Clearing House via ECS.

9.15 Release instructions submitted through ECS must be accepted by the Clearing House before the Eligible Emission Allowances are released to the Clearing Member. The Clearing House has the right to reject release instructions in the event that: (i) insufficient information has been supplied; (ii) account holders or accounts of or relating to the Clearing Member to or from which transfers of Emission Allowances are to take place have not been notified to or are not pre-approved by the Clearing House on its list of allowed counterparties or accounts; (iii) any relevant limits set by the Clearing House are exceeded; (iv) the transfer would result or risks resulting in an uncovered liability towards the Clearing House; or (v) for any other reason that places or risks placing the Clearing House under additional risk or liability.

9.16 Following acceptance by the Clearing House of the release instructions through ECS:

- (a) the records in ECS will be adjusted to reflect the transfer to the Clearing Member of the Eligible Emission Allowances at close of business on the same Business Day on which acceptance occurs (regardless of whether or not the Clearing House still holds the Eligible Emission Allowances, i.e. prior to the release of the Eligible Emission Allowances in accordance with paragraph 9.16(c));
- (b) the adjustment of the record in ECS will have immediate effect within ECS on the recorded value of available collateral in that system;
- (c) the Clearing House will instruct the Emissions Registry to release the Eligible Emission Allowances in accordance with the Release Request after ECS has so been updated;
- (d) the instructions referred to in paragraph 9.16(c) will not be made by the Clearing House until the Business Day following the Business Day on which the release instructions were accepted by the Clearing House (subject to paragraphs 9.6 and 9.7), provided that the return of such Eligible Emission Allowances still would constitute the return of Surplus Collateral on that Business Day.

9.17 Releases of Eligible Emission Allowances will be made from an Emissions Margin Account. Transfers of Eligible Emission Allowances to Clearing Members will be made via the Emission Registry's electronic system.

## **10. PERMITTED COVER: GOLD BULLION**

### **General**

10.1 This paragraph 10 applies to each Sponsored Principal (or, if a Sponsor has been appointed as responsible for making and receiving transfers in respect of Permitted Cover in the form of Gold Bullion on an Individually Segregated Sponsored Account, the Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules. The following definitions apply to this part of the Finance Procedures:

- (a) The term “**Gold Bullion**” shall have the same meaning as “London Good Delivery Bars” as set by London Bullion and Metals Association (“**LBMA**”).

- (b) “**AURUM**” means the electronic matching and settlement system operated by London Precious Metal Clearing Limited (“**LPMCL**”).
  - (c) “**Market Rules**” means the rules, regulations, practices and customs of the LBMA, LPMCL, the Financial Conduct Authority, the Prudential Regulatory Authority, the Bank of England and such other regulatory authority or other body, relevant to the transfer and safekeeping of Gold Bullion.
  - (d) “**Unallocated Account**” established at the custodian for the purpose of transferring Gold Bullion between the Clearing House and the Clearing Member. Gold Bullion in the Unallocated Account will be unidentifiable, and present the contractual obligations from the custodian to the Clearing House.
  - (e) “**Allocated Account**” established at the custodian for the purpose of safekeeping Gold Bullion. Gold Bullion on the Allocated Account is physically held in the custodian’s vaults and identifiable by serial numbers.
  - (f) “**Business Day**” means a day (excluding Saturdays, Sundays and public holidays) on which AURUM, the settlement system operated by LPMCL, is open for the transfer of Gold Bullion.
- 10.2 Clearing Members may use Gold Bullion to satisfy Original Margin, Initial Margin and FX Original Margin requirements (unless agreed otherwise by the Clearing House at its discretion). The Clearing House has set a Collateral limit of the lower of 250 million US Dollar or 30% of total Initial Margin or FX Original Margin requirement, per Clearing Member.
- 10.3 Gold Bullion to be used as Permitted Cover shall conform to the eligibility criteria described by the LBMA and transfers shall be in conformance with the Market Rules. Clearing Members will be liable to the Clearing House in the event that the Clearing House incurs any loss as a result of Gold Bullion being delivered to the Clearing House as Original Margin, Initial Margin or FX Original Margin which does not comply with these Procedures
- 10.4 The Clearing House limits its liabilities for loss or damage of all Gold Bullion that has been transferred to it. Prior to the first transfer the Clearing House must have received a signed copy of the “Gold Supplement” to the Clearing Member Agreement or Sponsored Principal Clearing Agreement. A template of this agreement will be provided by the Clearing House.
- 10.5 Transfers and withdrawals of Gold Bullion must be made in increments of 1 Troy Ounce.
- 10.6 Gold Bullion received before 16:00 hours (London time) on a Business Day will be reflected in Permitted Cover on the same Business Day. Gold Bullion received after 16:00 hours (London time) will be treated as having been not received until the next Business Day.
- 10.7 Transfer of Gold Bullion to the Unallocated Account of the Clearing House, must be done in accordance with the provisions of the LBMA and LPMCL. The Clearing House is not responsible for, and/or shall have no liability whatsoever as a result of, the performance or non-performance of any settlement system or settlement party.
- 10.8 Management of the Gold Bullion as margin is only possible on Business Days as set by LPMCL. Additionally the Clearing House is not able to transfer assets on non-Clearing days or UK bank holidays in case they differ from the non-Business Days.
- 10.9 The Gold Bullion will be priced in accordance with the rules, policies and processes of ICE Benchmark Administration Limited, with price reports available at <https://www.theice.com/marketdata/reports/178>. The Gold Bullion will be quoted in US Dollars. The Clearing House retains the right to adjust the price if the Risk Department regards this as necessary.
- 10.10 Gold Bullion will be held in physical form in the vaults of our custodian JPMorgan Chase Bank NA.

### Transfer procedure

- 10.11 Prior to transferring Gold Bullion the Clearing Member must provide details of the standard counterparty account and the contact details of the persons authorised to instruct on behalf of the Member. This information must be provided on the standard form provided by the Clearing House and signed by two Authorised Signatories. A template of this form will be provided by the Clearing House.
- 10.12 For every transfer of Gold Bullion, the Clearing Member must instruct the Clearing House using the standard form provided by the Clearing House. Any uninstructed transfers will not be accepted as Permitted Cover and the Clearing House shall try to return the assets as soon as possible. The Clearing House is not liable for any losses resulting from transfers which do not comply with these procedures.
- 10.13 A transfer must be made to the Unallocated Account of the Clearing House as notified to Clearing Members from time-to-time. The transfer has to be made via AURUM, the electronic matching and settlement system operated by LPMCL.
- 10.14 Transfer instructions to the Clearing House have to be received prior to the:
- Instruction deadline            11:00 (London Time).
- Instructions received after the deadline or instructions pending in anticipation of the provision of alternative margin after the deadline will be rejected by the Clearing House.
- 10.15 The Clearing House has established an Allocated Account for Gold Bullion received as Permitted Cover. The Clearing House shall manage the transfers between the Allocated Accounts and Unallocated Accounts.
- 10.16 The Clearing House has the right to reject instructions in the event that: (i) insufficient information has been supplied; (ii) counterparty accounts are not pre-advised on the list with allowed counterparties; (iii) when concentration limits are exceeded; and (iv) the transfer results in uncovered liabilities towards the Clearing House; or, (v) for any other reason that places the Clearing House under additional risk.
- 10.17 The position in the Clearing House's collateral system ECS will be adjusted prior to the withdrawal or after confirmation of completion of the relevant transfer in the Clearing House's Unallocated Account by its custodian. The adjustment of the position will have immediate effect on the value of available collateral.

### Expiry

- 10.18 The Clearing House is entitled to remove Gold Bullion from the list of accepted Permitted Cover or to vary haircuts at any time.

### 11. SETTLEMENT PROCEDURES FOR ~~NON-CASH~~NON-CASH COLLATERAL

This paragraph 11 applies to each Sponsored Principal (or, if a Sponsor has been appointed as responsible for meeting obligations in respect of non-cash collateral (other than Emission Allowances) on an Individually Segregated Sponsored Account, the Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules.

#### 11.1 Instruction Type

All transactions including each transfer to or withdrawal of non-cash collateral (other than Emission Allowances) from the Clearing House will be executed free of payment.

#### 11.2 Trade and Settlement Date

- (a) The Clearing House accepts instructions with settlement date up to two business days from trade date. The proposed settlement date shall be specified by the Clearing Member in its instruction.

If this is accepted by the Clearing House, the Clearing Member must deliver the securities on settlement date.

- (b) Settlements must take place during normal opening hours of the relevant settlement or depository system. The Clearing House will not give settlement instructions in extended settlement periods such as 'daylight' or 'Real Time Settlement' periods.

### 11.3 Custody and Sub-custody

- (a) Settlement of a transfer of Permitted Cover from the Clearing House to a Clearing Member may only be effected when the relevant securities to be subject to settlement are under custody of the Clearing House's custodian at the moment that settlement instructions are made.
- (b) Each settlement between the Clearing House and a Clearing Member must be effected pursuant to a transaction within the relevant settlement or depository system.

### 11.4 Matching of Settlement Instructions

The Clearing House will support the matching mechanism of at least one major settlement system or depository for securities acceptable as Permitted Cover. ECS requires only the minimum necessary information required by such systems and depositories in order for matching of a counterparty's instruction. The Clearing House will notify Clearing Members of the relevant account details for matching. However, it is the responsibility of the Clearing Member to ensure that instructions entered into ECS are correctly matched. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a settlement system, a depository or the Clearing Member (save for any liability which by law may not be excluded).

Matching criteria per custodian or central securities depository (and ICE settlement details) will be sent out by Circular. Settlement timing per settlement system or depository is set out below:

<b>CBF (DE)</b>	Instruction deadline:	14:30 (GMT/BST)
	Trade date:	Entry day
	Contractual Settlement date:	Entry day or up to two Business Days from trade date
<b>EOC France (FR)</b>	Instruction deadline:	12:30 (GMT/BST)
	Trade date:	Entry day
	Contractual settlement date:	Entry day or up to two Business Days from trade date
<b>EOC GB/IE (GB)</b>	Instruction deadline:	15:00 (GMT/BST)
	Trade date:	Entry day
	Contractual Settlement date:	Entry day or up to two Business Days from trade date
<b>FED (US)</b>	Instruction deadline:	17.00 (GMT/BST)



	Trade date:	Entry day
	Contractual Settlement date:	Entry day or up to two Business Days from trade date
<b>EOC bank</b>	Instruction deadline:	15:00 (GMT/BST)
	Trade date:	Entry day
	Contractual Settlement date:	Entry day or up to two Business Days from trade date
<b>CBL (Clearstream Lux.)</b>	Instruction deadline:	12:00 (GMT/BST)
	Trade date:	Entry day
	Contractual Settlement date:	Entry day or up to two Business Days from trade date

Direct accounts of the Clearing House at settlement systems may also be notified by the Clearing House to Clearing Members from time to time and must be used instead of any of the accounts referenced in any Circular issued by the Clearing House pursuant to this paragraph 11.4, where the Clearing House and Clearing Member are able to do so.

#### 11.5 Settlement cancellations and unsettled transactions

- (a) Clearing Members may only cancel settlement instructions prior to the time when the Clearing House sends settlement instructions to its custodian. After the Clearing House has sent instructions to its custodian, the Clearing House and ECS will assume that the transaction has been executed and settled.
- (b) All unsettled transactions are automatically cancelled at the end of each day in ECS. In the event that the relevant settlement system or depository does not support one-sided cancellations and the transaction settles after the contractual settlement date, relevant securities will not be taken into account as Permitted Cover. If same-day settlement does not occur but the Clearing Member still wishes to make settlement, it must cancel the instruction and re-enter that instruction.

#### 11.6 Settlement deadlines

All settlements will be executed by the Clearing House with a request for same-day settlement. As deadlines for settlement systems or deadlines on particular days may vary, the Clearing House will provide details of normal deadlines for free-of-payment instructions for each supported settlement system by Circular. Deadlines for settlement systems will be set out and updated in Circulars. Any adjustments of deadlines will be published by Circular. Instructions received after a specified deadline will be rejected by ECS.

#### 11.7 Holidays affecting settlement systems

- (a) If a settlement system or depository is closed, it will not be possible to transfer securities within that system. Clearing Members are allowed to use alternative settlement systems or types of collateral to cover Margin requirements or Guaranty Fund Contribution requirements. Clearing Members wishing to deliver securities through either of Euroclear Bank or Clearstream Bank Luxembourg should contact the Clearing House's Treasury department.

- (b) UK bank holidays will not affect the settlement of transaction in non-UK instruments.

#### 11.8 **Status settlement transaction**

The Clearing House will provide updated information on the settlement status of transactions through ECS. Clearing Members are responsible for monitoring the status of settlements. The status of a transaction as matched or not matched is not reported upon by the Clearing House and must be confirmed by Clearing Members directly with the relevant settlement system or depository.

#### 12. **INTENTIONALLY OMITTED.**

#### 13. **RISK MANAGEMENT**

##### 13.1 **Contacting Risk Management**

Clearing Members, Sponsors and Sponsored Principals should contact the Clearing House's Risk department to discuss any special issues relating to Margin, Permitted Cover, Guaranty Fund Contributions, Position Limits or any unusual circumstances or events.

##### 13.2 **Specific information request**

Clearing Members, Sponsors and Sponsored Principals may be required from time to time to respond to an information request made by the Clearing House. Such a request may include (but shall not be limited to) information concerning:

- (a) the nature and extent of Open Contract Positions;
- (b) identification of a Customer or Customers for whom Open Contract Positions are held;
- (c) explanation of the commercial strategy or rationale relating to Open Contract Positions;
- (d) any economically similar positions at other Clearing Organisations or Exchanges or in over-the-counter instruments; and/or
- (e) details around plans to close out or reduce any Open Contract Positions.

13.3 The Clearing House shall be entitled to require written responses and may make further or follow-up requests and visits and inspections. This paragraph 13 is without prejudice to the Clearing House's rights under the Rules, including in relation to the provision of information, audit and disciplinary proceedings.

##### 13.4 **Staff Availability**

Clearing Members, Sponsors and Sponsored Principals may be required from time to time to make staff of suitable seniority available to attend meetings, called by the Clearing House at reasonable notice, in order to assess:

- (a) the Clearing Member's, Sponsor's or Sponsored Principal's compliance with the Rules and these Procedures;
- (b) risks to which the Clearing House, Clearing Member, Sponsor or Sponsored Principal is exposed; or
- (c) any related purposes.

##### 13.5 **Default Procedure**

In the case where the payment deadline is not met, the Clearing House may initiate a default procedure. Without prejudice to Part 9 of the Rules, the default procedure in general may use the following tools:

- (a) setting of final deadlines for the Clearing Member, Sponsor or Sponsored Principal to meet requirements;
- (b) imposition of Position Limits;
- (c) additional Margin requirements;
- (d) restriction of trading (e.g. new trades only allowed to liquidate existing positions);
- (e) transfer of Open Contract Positions;
- (f) liquidation of Permitted Cover;
- (g) liquidation of Guaranty Fund Contributions; or
- (h) closure of Open Contract Positions.

### 13.6 **Margin Parameters**

The Clearing House monitors market volatilities on a daily basis. The Clearing House will review Original Margin, Initial Margin and FX Original Margin rates on a periodic and *ad hoc* basis. Changes to Original Margin, Initial Margin and FX Original Margin rates will be notified to Clearing Members by Circular. With respect to F&O Contracts, *ad hoc* rate changes will become effective on the next Business Day. Routine rate changes will be implemented on the date given in the Circular announcing such changes, normally five Business Days after the date of the Circular. With respect to F&O Contracts, changes to Original Margin rates will be based on an analysis of appropriate factors as determined by the Clearing House, including market prices, historical and implied volatilities of relevant contracts, spreads and correlations between related commodities, other current and anticipated conditions (including liquidity) in the market for the contracts and other relevant information.

### 13.7 **Haircuts**

The Clearing House will review haircuts applicable for Permitted Cover on a periodic and *ad hoc* basis. Changes to haircuts will be notified to Clearing Members by Circular. With respect to Permitted Cover for F&O Contracts, *ad hoc* rate changes will become effective on the next Business Day. Routine rate changes will be implemented on the date given in the Circular announcing such changes, normally five Business Days after the date of the Circular. With respect to Permitted Cover for F&O Contracts, changes to haircuts will be based on an analysis of appropriate factors as determined by the Clearing House, including historical and implied price volatility of such assets, current and anticipated conditions in the market for those assets, spreads and correlations between relevant assets, liquidity in the trading market for those assets, composition of the relevant market, default risk (including sovereign risk) with respect to those assets, relevant foreign exchange market conditions and other relevant information.

### 13.8 **Permitted Capital Limits**

The Clearing House monitors the relationship between Capital and outstanding Original Margin, Initial Margin and FX Original Margin obligations of Clearing Members. If, on aggregate, a Clearing Member's Original Margin, Initial Margin or FX Original Margin is greater than three times the Clearing Member's Capital, the Clearing House may require that further Capital (or substitute Capital) be put in place by the Clearing Member.

The Clearing House will endeavour to contact Clearing Members that may be required to put in place additional Capital in advance of such requirement becoming necessary, in order to agree steps to be taken by the Clearing Members.

### 13.9 Concentrated Positions

The Clearing House monitors Open Contract Positions on a daily basis. Where the Clearing House determines an Open Contract Position to be concentrated, as defined by its large positions policy, the Clearing House may, at its discretion, require that the Clearing Member or Disclosed Principal do any of the following:

- (a) reduce an Open Contract Position; or
- (b) lodge additional Permitted Cover with the Clearing House.

Positions will be subject to an extra Margin requirement in the case that a single Clearing Member holds more than 20% of the total Margin requirement in the margined product group.

## 14. GUARANTY FUND PARAMETERS AND RESTRICTIONS

### 14.1 F&O Guaranty Fund

The following parameters apply to the F&O Guaranty Fund and F&O Guaranty Fund Contributions, in addition to those parameters specified in the Rules (in the case of currencies save to the extent that the Clearing House notifies otherwise whether by Circular or to a particular Clearing Member or allows a different currency to be used to cover the relevant requirements in accordance with these Finance Procedures):

- (a) F&O Guaranty Fund Contributions will be calculated and payable in USD;
- (b) the Clearing House will establish from time to time a minimum F&O Guaranty Fund Contribution for each Clearing Member, based on a methodology adopted by the Clearing House, of not less than USD 1 million;
- (c) minimum cash portion of F&O Guaranty Fund Contribution is 50%;
- (d) in addition to the above requirement, first USD10 million in cash (such that any F&O Guaranty Fund Contribution of less than USD10 million must be provided entirely as cash) unless agreed otherwise by the Clearing House; and
- (e) other Permitted Cover for F&O Guaranty Fund Contributions must be USD denominated for F&O Guaranty Fund Contributions.
- (f) The start and end dates of Guaranty Fund Periods will be communicated to F&O Clearing Members.

### 14.2 CDS Guaranty Fund

The following parameters apply to the CDS Guaranty Fund and CDS Guaranty Fund Contributions, in addition to those parameters specified in the Rules (in the case of currencies save to the extent that the Clearing House notifies otherwise whether by Circular or to a particular Clearing Member or allows a different currency to be used to cover the relevant requirements in accordance with these Finance Procedures):

- (a) CDS Guaranty Fund Contributions will be calculated and payable in EUR, except for Guaranty Fund Contributions relating to Open Contract Positions in Sovereign Contracts, which are calculated and payable in USD;
- (b) minimum CDS Guaranty Fund Contribution of EUR 15 million for CDS Contracts other than Sovereign Contracts;
- (c) minimum cash portion of CDS Guaranty Fund Contribution is 50% for each currency;

- (d) in addition to the above requirements, minimum of EUR 15 million in cash (such that any CDS Guaranty Fund Contribution of EUR 15 million must be provided entirely as cash) unless agreed otherwise by the Clearing House;
- (e) other Permitted Cover for CDS Guaranty Fund Contributions must be EUR denominated, except for Guaranty Fund Contribution in relation to Sovereign Contracts, which must be USD denominated;
- (f) the start and end dates of Guaranty Fund Periods will be communicated to CDS Clearing Members; and
- (g) the parameters for determining the CDS Guaranty Fund Contributions of CDS Clearing Members will be determined by the Clearing House in consultation with the CDS Product Risk Committee.

#### 14.3 **FX Guaranty Fund**

The following parameters apply to the FX Guaranty Fund and FX Guaranty Fund Contributions, in addition to those parameters specified in the Rules (in the case of currencies save to the extent that the Clearing House notifies otherwise whether by Circular or to a particular Clearing Member or allows a different currency to be used to cover the relevant requirements in accordance with these Finance Procedures):

- (a) FX Guaranty Fund Contributions will be calculated and payable in USD;
- (b) minimum FX Guaranty Fund Contributions are as specified by the Clearing House;
- (c) minimum cash portion of FX Guaranty Fund Contribution is 50%;
- (d) other Permitted Cover for FX Guaranty Fund Contributions must be USD denominated;
- (e) the start and end dates of Guaranty Fund Periods will be communicated to FX Clearing Members; and
- (f) the parameters for determining the FX Guaranty Fund Contributions of FX Clearing Members will be determined by the Clearing House in consultation with the FX Product Risk Committee.

### 15. **CLEARING HOUSE CONTRIBUTIONS**

#### 15.1 **Clearing House Initial Contributions**

The following provisions apply to each of the Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and the Clearing House FX Initial Contribution:

- (a) The Clearing House shall keep, and indicate separately in its balance sheet, an amount of dedicated own resources as the Clearing House Initial Contributions. No resources other than capital, including retained earnings and reserves as referred to in Article 16 of EMIR, shall qualify as Clearing House Initial Contributions.
- (b) The Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and the Clearing House FX Initial Contribution shall each be constituted by two parts: (i) a minimum contribution of own resources for purposes of article 35(2) of Commission Delegated Regulation No 153/2013 (as calculated under paragraphs 15.1(c)-(d)); and (ii) an additional voluntary contribution constituted by the remainder of the Clearing House Initial Contribution in question, as calculated in accordance with this paragraph 15.

- (c) The Clearing House shall calculate the minimum sum of Clearing House Initial Contributions by multiplying its minimum required capital (including retained earnings and reserves) to be maintained by it in accordance with article 16 of EMIR, by 25%.
- (d) The minimum sum calculated in accordance with paragraph 15.1(c) shall be allocated to the Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and Clearing House FX Initial Contribution in proportion to the sizes of the CDS Guaranty Fund, F&O Guaranty Fund and FX Guaranty Fund respectively, and shall be separately indicated in the Clearing House's balance sheet.
- (e) The Clearing House shall revise the minimum sum of Clearing House Initial Contributions and breakdown of the same between the Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and Clearing House FX Initial Contribution on a yearly basis.
- (f) The Clearing House may use such exchange rates as it sees fit for purposes of calculating the relative sizes of the CDS Guaranty Fund, F&O Guaranty Fund and FX Guaranty Fund.

## 15.2 Clearing House CDS Contributions

- (a) The Clearing House CDS Initial Contribution shall be at least the higher of: (i) the EUR equivalent of USD 10 million, calculated at the exchange rate specified in paragraph 2.2 of the Finance Procedures on 28 July 2009; and (ii) the minimum required under paragraph 15.1. The Clearing House may increase the Clearing House CDS Initial Contribution from time to time and shall be obliged on or prior to the first anniversary of the first date on which the Clearing of CDS Contracts recorded in CDS Customer Accounts becomes operationally available ("**Customer Integration Date**") to have made an aggregate Clearing House CDS Initial Contribution (including the initial USD 10 million equivalent) of at least the higher of: (A) the EUR equivalent of USD 25 million, calculated at the exchange rate specified in paragraph 2.2 of the Finance Procedures on the first anniversary of the Customer Integration Date; and (B) the minimum required under paragraph 15.1. The amount of the Clearing House CDS Initial Contribution may be further increased by the Clearing House redesignating all or part of any of the Clearing House CDS GF Contributions as Clearing House CDS Initial Contributions. Any such redesignation shall be notified by Circular. Such amounts are subject to any reduction following the application of any amount of Clearing House CDS Initial Contribution pursuant to Rule 1103.
- (b) If on or after the first anniversary of the Customer Integration Date, the value, determined in the same way in which the value of Guaranty Fund Contributions is calculated, of the assets constituting the Clearing House CDS Initial Contribution is below the required amount of the Clearing House CDS Initial Contribution under paragraph 15.2(a)(i) or 15.2(a)(A) because of a decrease in the value of assets representing such Clearing House CDS Initial Contribution (including such decreases that occurred prior to such first anniversary or as the result of investments of the Clearing House CDS Initial Contribution, but excluding decreases resulting from the application of any amount of Clearing House CDS Initial Contribution pursuant to Rule 1103 and excluding any decreases due to exchange rate fluctuations described in paragraph 15.2(g)), the Clearing House shall be required, by the open of business on the following Business Day, to make additional Clearing House CDS Initial Contributions sufficient to cause the assets constituting the Clearing House CDS Initial Contribution to have a value, determined in the same way in which the value of Guaranty Fund Contributions is calculated but excluding the effects of any exchange rate fluctuations as aforesaid, of at least the required amount in EUR of the Clearing House CDS Initial Contribution (plus the required amount in EUR of any amounts of Clearing House CDS GF Contributions that have been redesignated as Clearing House CDS Initial Contributions under paragraph 15.2(a)).
- (c) The Clearing House may allocate amounts as Clearing House CDS GF Contributions and, by the second anniversary of the Customer Integration Date, shall be obliged to have allocated amounts as Clearing House CDS GF Contributions (net of any decreases resulting from the

application of any amount of Clearing House CDS GF Contributions pursuant to Rule 1103) on or before such second anniversary of the Customer Integration Date of at least the EUR equivalent of USD 25 million, calculated at the exchange rate specified in paragraph 2.2 of the Finance Procedures on the second anniversary of the Customer Integration Date (from time to time, the aggregate amount of Clearing House CDS GF Contributions being reduced by any application of any amount of Clearing House CDS GF Contributions pursuant to Rule 1103 for such period as is permitted under this paragraph 15.2(c) and further as a result of Clearing House CDS GF Contributions being redesignated as Clearing House CDS Initial Contributions under paragraph 15.2(a)). If, prior to the second anniversary of the Customer Integration Date, the aggregate amount of Clearing House CDS GF Contributions is reduced by any application of any amount of Clearing House CDS GF Contributions pursuant to Rule 1103, the Clearing House shall be required, by the open of business on the following Business Day, to allocate additional amounts as Clearing House CDS GF Contributions equal to the amount by which the Clearing House CDS GF Contribution was applied and such additional amount shall constitute part of the Clearing House CDS GF Contribution (subject to the same being redesignated as Clearing House CDS Initial Contributions under paragraph 15.2(a)).

- (d) If on or after the second anniversary of the Customer Integration Date, the value, determined in the same way in which the value of Guaranty Fund Contributions is calculated, of the assets constituting the Clearing House CDS GF Contribution (or which would have constituted the Clearing House CDS GF Contribution but for their redesignation as Clearing House CDS Initial Contribution under paragraph 15.2(a)) is below the required amount of the Clearing House CDS GF Contribution because of a decrease in the value of assets representing such Clearing House CDS GF Contribution (excluding any decreases due to exchange rate fluctuations described in paragraph 15.2(g)) or the application of any amount of Clearing House CDS GF Contribution or Clearing House CDS Initial Contribution pursuant to Rule 1103, the Clearing House shall be required, by the open of business on the following Business Day, to make additional Clearing House CDS GF Contributions sufficient to cause the assets constituting the Clearing House CDS GF Contribution to have a value, determined in the same way in which the value of Guaranty Fund Contributions is calculated but excluding the effects of any exchange rate fluctuations as aforesaid, of at least the required amount in EUR of the Clearing House CDS GF Contribution. Such assets may be redesignated as Clearing House CDS Initial Contributions under paragraph 15.2(a).
- (e) For the purposes of calculating the amount of any application of any amount of Clearing House CDS Contribution pursuant to Rule 1103, the value of the Clearing House CDS Contribution shall be determined in EUR as of the date of such application. Subject to paragraph (g), any deficiency of the actual Clearing House CDS Contributions relative to the required amounts at the time of application shall remain the liability of the Clearing House, notwithstanding anything to the contrary in the Rules or Procedures.
- (f) The Clearing House may make withdrawals from accounts containing the Clearing House CDS Initial Contribution or Clearing House CDS GF Contribution only to the extent the value of the relevant assets exceeds the required EUR requirement.
- (g) Notwithstanding any other provision of this paragraph 15.2, the Clearing House shall not be obliged to top up or redesignate any amount or part of any Clearing House CDS Contribution as a result of fluctuations in currency exchange rates between USD and EUR compared to the rates at which any EUR requirement for any Clearing House CDS Contribution was calculated, whether to ensure that any Clearing House CDS Contribution equals any USD amount specified in this paragraph 15.2 or otherwise (save as required pursuant to paragraph 15.1). Notwithstanding any other provision of this paragraph 15.2 the Clearing House shall not be entitled to withdraw or redesignate any amount or part of any Clearing House CDS Contribution as a result of fluctuations in currency exchange rates between USD and EUR compared to the rates at which any EUR requirement for any Clearing House CDS Contribution was calculated, whether to ensure that any Clearing House CDS Contribution equals any USD amount specified in this paragraph 15.2 or otherwise.

### 15.3 Clearing House FX Contributions

- (a) The Clearing House FX Contributions are to be determined and allocated from time to time in accordance with the following provisions:
- (i) the Clearing House FX Initial Contribution shall be at least the higher of: (A) USD 2.5 million; or (B) the minimum required under paragraph 15.1;
  - (ii) the Clearing House FX GF Contribution shall be at least USD 2.5 million;
  - (iii) subject to paragraph 15.1, the maximum amount of the Clearing House FX Initial Contribution shall be USD 25 million;
  - (iv) the maximum amount of the Clearing House FX GF Contribution shall be USD 25 million;
  - (v) subject to the minima in paragraphs (i) and (ii) above and any applicable maxima in paragraphs (iii) and (iv) above, the total Clearing House FX Contributions from time to time shall be at least of an amount representing 5% of the total FX Guaranty Fund Contributions required from time to time to be provided to the Clearing House by FX Clearing Members (excluding FX Guaranty Fund Contributions applied under Rule 1103);
  - (vi) subject to paragraph (vii), the amount of the Clearing House FX Initial Contribution and the amount of the Clearing House FX GF Contribution from time to time shall always be identical to one another, provided that the total of the Clearing House FX Initial Contribution and Clearing House FX GF Contribution shall be capped at USD 50 million (subject to paragraph 15.1); and
  - (vii) if the calculations in paragraph (vi) result in a fraction of a USD cent being allocated to the Clearing House FX GF Contribution, that fraction of a cent shall be allocated to the Clearing House FX Initial Contribution so as to round up the Clearing House FX Initial Contribution to the nearest higher USD cent and round down the Clearing House FX GF Contribution to the nearest lower USD cent.
- (b) If the total amount of Clearing House FX Contributions is reduced by any application of any amount of Clearing House FX Contributions pursuant to Rule 1103, the Clearing House shall, by the open of business on the Business Day following the date of any application of Clearing House FX Contributions, allocate additional Clearing House FX Contributions equal to the amount by which the Clearing House FX Contributions were applied. Such allocations shall be made as Clearing House FX Initial Contribution and Clearing House FX GF Contribution in proportion to the amount by which each such contribution was applied.
- (c) For the purposes of calculating the amount of any application of any amount of Clearing House FX Contributions pursuant to Rule 1103, the value of the Clearing House FX Contribution so applied shall be determined in USD as of the date of such application at the exchange rates used by the Clearing House pursuant to the Finance Procedures at the relevant time, where any exchange rate is required to be applied.

### 15.4 General Provisions relevant to Clearing House Contributions

- (a) The Clearing House may substitute assets constituting Clearing House Contributions in the same way and to the same extent that assets constituting Guaranty Fund Contributions may be substituted by Clearing Members.
- (b) Without prejudice to Applicable Laws relating to insolvency, the Clearing House shall have no obligation to contribute or allocate any additional Clearing House Contributions in any situation in which either: (i) Rule 209(c)(ii) or (iii) or Rule 912 applies; or (ii) Rule 209(c)(ii) or (iii),



Rule 209(f)(ii), except in either case in respect of any due but unallocated amounts at the time of such occurrence.

There shall not be any breach by the Clearing House of its obligations under this paragraph 15 solely as a result of any temporary reduction to any Clearing House Contributions as a result of the application of any amount of Clearing House Contributions pursuant to Rule 1103.

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