



ICE Clear Europesm

Clearing Rules

- (m) The Clearing House will maintain a list of Concentration Banks and Approved Financial Institutions and will issue a Circular upon any change to Concentration Banks or Approved Financial Institutions.
- (n) The Clearing House will ensure that at all times there is at least one Concentration Bank.

Rule 302 *Mechanics for Payments*

- (a) Amounts payable to or by the Clearing House in a particular currency (as determined in accordance with the Finance Procedures) will be calculated and settled ~~on a net or gross basis (per Account, or per Customer), as set out below and in accordance with~~ for each Account based on the designation of the relevant Account, the applicable margin model (net or gross) and payment mechanics set forth in this Part 3, the Clearing Procedures, the Finance Procedures and Part 16. The Clearing House shall calculate a net amount in respect of each Account by offsetting amounts due against amounts payable on that Account (except as provided in Rule 1605 for the Swap Customer Account of FCM/BD Clearing Members). The Clearing House shall advise each Clearing Member of the net amounts due to or from the Clearing Member in respect of each of its Proprietary Accounts and each of its Customer Accounts (if any) on each Business Day (or more frequently if the Clearing House determines to make an intra-day call in accordance with the Finance Procedures) and:
 - (i) if the net amount for a Proprietary Account is due to the Clearing House, the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Proprietary Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due;
 - (ii) if the net amount for a Proprietary Account is due to the Clearing Member, the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Proprietary Bank Account of the Clearing Member with the Approved Financial Institution in an amount equal to the amount so due;
 - (iii) if the net amount for a ~~Segregated Customer Omnibus Account for F&O or Segregated TTFC~~Account (other than a Margin-flow Co-mingled Account or Swap Customer ~~Omnibus Account for F&O)~~ is due to the Clearing House, the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due;
 - (iv) if the net amount for a ~~Segregated Customer Omnibus Account for F&O or Segregated TTFC~~Account (other than a Margin-flow Co-mingled Account or Swap Customer ~~Omnibus Account for F&O)~~ is due to the Clearing Member, the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Customer Bank

Account of the Clearing Member with the Approved Financial Institution in an amount equal to the amount so due;

- (v) if the net amount for a Margin-flow Co-mingled Account is due to the Clearing House, the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account either: (A) in an amount equal to the total of all net amounts due to the Clearing House across all Margin-flow Co-mingled Accounts of the Clearing Member (or in respect of all Margin-flow Co-mingled Accounts of the Clearing Member with respect to F&O Clearing, FX Clearing or CDS Clearing, as the case may be), regardless of whether any amount is due to the Clearing Member in respect of the same Margin-flow Co-mingled Accounts; or (B) separately in respect of the net amount for each Margin-flow Co-mingled Account, in which case the Clearing Member or its Approved Financial Institution shall be entitled to settle the net amounts across all the Clearing Member's Margin-flow Co-mingled Accounts on a net basis;
- (vi) if the net amount for a Margin-flow Co-mingled Account is due to the Clearing Member, the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution either: (A) in an amount equal to the total of all net amounts due to the Clearing Member across all Margin-flow Co-mingled Accounts of the Clearing Member (or in respect of all Margin-flow Co-mingled Accounts of the Clearing Member with respect to F&O Clearing, FX Clearing or CDS Clearing, as the case may be), regardless of whether any amount is due to the Clearing House in respect of the same Margin-flow Co-mingled Accounts; or (B) separately in respect of the net amount for each Margin-flow Co-mingled Account, in which case the Clearing Member or its Approved Financial Institution shall be entitled to settle the net amounts across all the Clearing Member's Margin-flow Co-mingled Accounts on a net basis; and
- ~~(vii) if a gross amount in respect of the positions of Customers interested in a Customer Account (other than a Segregated Customer Omnibus Account for F&O, Segregated TTFC Customer Omnibus Account for F&O or Margin flow Co-mingled Account) is due to the Clearing House (regardless of whether any amount is due from the Clearing House in respect of the same Account), the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due; and~~
- (vii) ~~(viii) if a gross amount in respect of the positions of Customers interested in a Customer Account (other than a Segregated Customer Omnibus Account for F&O, Segregated TTFC Customer Omnibus Account for F&O or Margin flow Co-mingled Account) is due to the Clearing Member (regardless of whether any~~

~~amount is due from the Clearing Member in respect of the same Account), the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution in an amount equal to the amount so due.~~ Rule 1605(h) shall apply to determine the timing, nature and means of making payments in relation to any amount due to or from an FCM/BD Clearing Member in respect of its Swap Customer Account.

- (b) Instructions made pursuant to this Rule 302 may be made by means of a SWIFT message (or, in the case of a contingency, such other electronic message, fax, telephone or other means as are allowed pursuant to the Finance Procedures) to the relevant Approved Financial Institution. Payments pursuant to this Rule 302 shall be made immediately at the time and on the date that the obligation to pay arises or at such other time as is specified by the Clearing House in writing.
- (c) Upon notice from the Clearing House that a transfer of funds from a Clearing Member's Nominated Bank Account was not effected as instructed by the Clearing House for any reason, the Clearing Member shall deliver to the Clearing House the amount required at such time and in such form as the Clearing House may prescribe.
- (d) Various authorities and powers are granted to the Clearing House pursuant to clause 5.2 of the Clearing Membership Agreement for purposes of supporting the payment arrangements set out in this Rule 302. For the avoidance of doubt, the reference in the fourth sentence of clause 5.2 of the Clearing Membership Agreement that the "Approved Financial Institutions will act upon any instructions received from the Clearing House" shall be understood to mean that the "Approved Financial Institutions shall be authorised and directed to act upon any instructions received from the Clearing House".
- (e) Each Customer Account of a Clearing Member shall be treated separately for purposes of any payments under Rule 302(a). Where a Clearing Member has more than one Customer Account, there shall be separate payments in respect of each such Customer Account (except for Margin-flow Co-mingled Accounts, where payments to the Clearing House and payments from the Clearing House may each be separately aggregated across all Margin-flow Co-mingled Accounts or separately instructed and mutually offset prior to settlement in accordance with Rule 302(a)(v)-(vi)).

Rule 303 *Set Off*

- (a) Subject to Rule 102(q), the Clearing House may set off any obligation due to it from a Clearing Member against any obligation owed by the Clearing House to, or for the account of, the Clearing Member, regardless of the place of payment, account, branch or currency of either obligation. If the obligations referred to in this Rule 303(a) are in different currencies, the Clearing House may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set off.

- (b) Subject to Rule 102(q), the Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Proprietary Accounts and Customer Accounts resulting from exercise of its rights of set off.
- (c) The rights of the Clearing House in this Rule 303 are without prejudice to any rights of lien, set-off, netting, liquidation, combination of accounts or appropriation, or to instruct the same or any other rights or remedies of the Clearing House or any Approved Financial Institution, whether under these Rules or otherwise.
- (d) Without prejudice to Applicable Laws of mandatory application following an Insolvency, notwithstanding any existing or future agreement and except as expressly provided in these Rules, the Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement, the Procedures or a Contract, each Clearing Member irrevocably waives any and all rights it may have to set off, net, recoup, combine accounts or otherwise withhold or suspend or condition payment or performance of any obligation between the Clearing House and such Clearing Member under these Rules or any Contract against any obligations between the Clearing House and such Clearing Member or any branch or Affiliate of the Clearing House or of such Clearing Member, under any other agreements.

Rule 304 *Sponsored Principals and Sponsors*

- (a) This Part 3 applies to Sponsored Principals in the same way as it applies to Clearing Members, with the following modifications:
 - (i) Rule 301(k) does not apply.
 - (ii) Rule 302(a) does not apply: ~~Amounts payable to or by the Clearing House in a particular currency (as determined in accordance with the Finance Procedures) will be settled on a net basis, as set out below and in accordance with the Finance Procedures, except for the first two sentences thereof.~~ The Clearing House shall advise each Sponsored Principal (or, if the Sponsor acts as the Sponsored Principal's Representative for purposes of making payments, the Sponsor) of ~~amounts~~the net amount due to or from the Sponsored Principal in respect of its Individually Segregated Sponsored Account on each Business Day (or more frequently if the Clearing House determines to make an intra-day call in accordance with the Finance Procedures) and:
 - (A) if the net amount is due to the Clearing House, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from the relevant Nominated Account with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due; and
 - (B) if the net amount is due to the Sponsored Principal, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from a

Rule 401(g)

further designation to the Clearing House, specifying any required transfers between accounts or sub-accounts which, if acted upon by the Clearing House, would result in any Contract affected by such event or circumstance being correctly designated as for the appropriate Position Account, CDS Sub-Account (if applicable) and sub-account in the ICE Systems (if applicable). Each Clearing Member having a Customer Account shall submit to the Clearing House on a daily basis (or more frequent basis, on request) accurate data on the breakdown of its entire Open Contract Position for each such Customer Account on a per Customer basis. The Clearing House shall be entitled to act and shall (subject, in the case of any transfers, to the requirements of Rule 408(a)) act upon ~~such~~all designations and information submitted by Clearing Members in recording Contracts in Position Accounts, CDS Sub-Accounts or other sub-accounts designated by the Clearing Member or otherwise provided under this Rule 401(g) from time to time, without the need for any further enquiry on the part of the Clearing House.

(h) Where a Clearing Member has appointed a Disclosed Principal Member, the Disclosed Principal Member shall be the Buying Counterparty or the Selling Counterparty (as applicable) instead of the relevant Clearing Member in respect of all Contracts arising under this Rule 401 to which that Clearing Member would, but for the requirements of this Rule 401(h), otherwise be party. All provisions of these Rules relating to Contracts and Clearing Members shall be construed accordingly.

(i) In order for a Contract to arise pursuant to:

- (i) Rule 401(a)(i), (iii), (v), (vii) or (viii); or
- (ii) Rule 401(a)(vi) in relation to an Energy Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be an Energy Clearing Member and an F&O Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear Energy and F&O.

In order for a Contract to arise pursuant to:

- (iii) Rule 401(a)(i), (iii), (v), (vii), (viii) or (xiv); or
- (iv) Rule 401(a)(vi) in relation to a Financials & Softs Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be an Financials & Softs Clearing Member and an F&O Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear Financials & Softs and F&O.

(j) In order for a Contract to arise pursuant to:

- (i) Rule 401(a)(ix), (x) or (xi); or
- (ii) Rule 401(a)(vi) or 401(a)(xiii) in relation to a CDS Contract,

Member and Customer under such Customer-CM Transaction constitute its legal, valid and binding obligations enforceable in accordance with its terms, subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles in general application (regardless of whether enforcement is sought in a proceeding in equity or at law).

Rule 406 *Open Contract Positions*

- (a) At the end of each day or at such other frequency as the Clearing House determines at its discretion either generally or in respect of any Clearing Member or Sponsored Principal, the Clearing House will calculate Open Contract Positions in its books and records. Settlement or revaluation of Open Contract Positions and Contracts will take place pursuant to the applicable Contract Terms and, for F&O Contracts, through the Clearing Processing System. The Clearing House shall have no obligation to notify any Clearing Member, Sponsored Principal or any other Person of Open Contract Positions or Contracts other than through the Clearing Processing System or otherwise than in accordance with the Rules and the Clearing Procedures.
- (b) If an F&O Clearing Member so instructs the Clearing House in accordance with the Clearing Procedures, the Clearing House will net particular buy and sell positions (for a Set of Futures that are F&O Contracts), or Long and Short positions (for a Set of Options that are F&O Contracts) within the Clearing Member's Open Contract Position in respect of one of a Clearing Member's Customer Position Accounts, provided that no buy or sell positions or Long or Short positions in respect of one Customer are to be netted against buy or sell positions or Long or Short positions in respect of another Customer. The Clearing House and relevant Clearing Member will reflect each aggregation and netting under this Rule 406(b) in the records of the Repository (if any) designated by the Clearing House for F&O Contracts.
- (c) Subject to its obligations under Rule 406(b), the Clearing House may at its discretion treat any F&O Contract pursuant to which a Clearing Member or Sponsored Principal is the Buying Counterparty and another F&O Contract of the same Set pursuant to which the same Clearing Member or Sponsored Principal is the Selling Counterparty simultaneously as being netted, set off and mutually closed out and terminated upon calculation of the Open Contract Position in respect of such F&O Contracts, subject to the Clearing Member or Sponsored Principal having made all then due payments pursuant to the Contract Terms in respect of such F&O Contracts and to separate treatment of Open Contract Positions in each Proprietary Account and each Customer Account. Where the position as Buying Counterparty is not of the same size as a position a Selling Counterparty, the Contracts in question shall be closed out and terminated in part. For the avoidance of doubt, any contractual netting of F&O Contracts is subject to Rule 102(q) and there shall be separate treatment (and no offsetting and close-out or resulting termination nor any aggregation or consolidation) as between any of: (A) any F&O Contract recorded in a particular Proprietary Account; (B) any F&O Contract recorded in a particular Customer Account or Individually Segregated Sponsored Account; or (C) any two F&O Contracts that are recorded in ~~each~~ different

Customer ~~Aeeount~~Accounts or Individually Segregated Sponsored ~~Aeeount~~Accounts. The Clearing House and relevant Clearing Member will reflect each aggregation and netting under this Rule 406(c) in the records of the Repository (if any) designated by the Clearing House for F&O Contracts.

- (d) CDS Clearing Members and Sponsored Principals that clear CDS shall elect in accordance with the CDS Procedures between one of three different methods for the aggregation and netting of CDS Contracts (listed in paragraphs (i) to (iii) below), separately in respect of each of its CDS Sub-Accounts. If a CDS Clearing Member or Sponsored Principal has only one CDS Sub-Account, then only one election under this Rule 406(d) is required. Any aggregation and netting of CDS Contracts pursuant to this Rule 406(d) shall take place pursuant to a novation, through termination of the relevant existing CDS Contract of the same Set or some or all of the relevant existing CDS Contracts of the same Set in the same CDS Sub-Account in consideration for the entry into of a new replacement single CDS Contract replacing those CDS Contracts so being aggregated and/or netted. Such aggregation and netting will take place at the times, and will affect those CDS Contracts, set out in or determined in accordance with the CDS Procedures, which will provide for aggregation and netting in relation to each CDS Sub-Account at least weekly. The Clearing House and relevant CDS Clearing Member or Sponsored Principal will reflect each aggregation and netting under this Rule 406(d) in the records of Deriv/SERV in accordance with the CDS Procedures. Subject to Rule 406(e):
 - (i) where a CDS Clearing Member or Sponsored Principal elects to manage a CDS Sub-Account on a 'trade by trade' basis, there will be no netting, offsetting, consolidation, aggregation, novation, termination or replacement of CDS Contracts recorded in that CDS Sub-Account;
 - (ii) where a CDS Clearing Member or Sponsored Principal elects to manage a CDS Sub-Account on a 'gross' basis:
 - (A) there shall be no regular netting or offsetting of CDS Contracts recorded in that CDS Sub-Account;
 - (B) CDS Contracts recorded in that CDS Sub-Account, to the extent they are in the same Set and where the CDS Clearing Member or Sponsored Principal acts as Buying Counterparty, will, by operation of this provision, be aggregated, terminated and replaced by a single CDS Contract at the relevant times specified in this Rule 406(d), with a Floating Rate Payer Calculation Amount equal to the total of the Floating Rate Payer Calculation Amounts of those CDS Contracts; and
 - (C) CDS Contracts recorded in that CDS Sub-Account, to the extent they are in the same Set and where the CDS Clearing Member or Sponsored Principal acts as Selling

Rule 702

- (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).
- (c) Provided that all Margin payments in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Future shall be the net gain or loss, as the case may be, based on the difference between the price at which Open Contract Positions are recorded on the Clearing House's books and the Exchange Delivery Settlement Price ~~and~~(or, for Contracts not reflected in a Clearing Member's Open Contract Position entered into on the same day as the day of settlement, the difference between the Exchange Delivery Settlement Price and the price at which ~~each new~~the relevant Contract ~~not in the Clearing Member's Open Contract Position~~ was bought or sold). Each cash settlement shall occur in accordance with the Contract Terms.
- (d) Neither the Delivery Procedures nor the requirements of Rule 703 shall apply to any Contract which is settled in cash in accordance with this Rule 702.

Rule 703 *Delivery*

- (a) In relation only to Futures which are not settled in cash pursuant to Rule 702, the Delivery Procedures and the requirements of this Rule 703 shall apply.
- (b) The Buyer and Seller shall each make such payments and deliveries and deliver such tenders, notices and invoices as are required pursuant to the Delivery Procedures and Market Rules.
- (c) The passing on by the Clearing House of such tenders or such other documents shall not constitute acceptance by the Clearing House of such tenders or such documents if the Clearing Member to which the Clearing House passed on such tender or documents rejects the same where permitted to do so. In the event of such rejection, the Clearing House shall also be entitled to reject the tenders or other documents. Similarly, where a Clearing Member who is a Buyer under a Contract rejects a Deliverable delivered to it, the Clearing House as Buyer under the corresponding back to back Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under that Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.
- (d) Subject to Rule 703(c), no tender received by the Buyer may be withdrawn or substituted by the Seller except with the consent of the Buyer or otherwise in accordance with the Contract Terms and Procedures.
- (e) Full compliance with the Delivery Procedures applicable to the Contract in question and, where applicable, Market Rules shall amount to a good discharge of the rights, liabilities and obligations of the parties under such Contract (but shall be without prejudice to any rights, liabilities or obligations of any party to a Contract in relation to breach of warranty, representation, damaged goods, under-delivery, over-delivery or otherwise).

Rule 705(a)

Contract Position, plus any other Contracts ~~not included in the Open Contract Position~~ entered into on the same day as the day of settlement, separately for the Clearing Member's:

- (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
- (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).

No such Open Contract Position (or additional Contracts) may be netted against another Open Contract Position on cash settlement or delivery without the prior written consent of the Clearing House, and subject always to Rule 102(q).

- (b) Upon each of the parties to a Contract having made all necessary payments and deliveries in accordance with these Rules in respect of all Futures Contracts in a Set in relation to which a cash settlement or delivery obligation exists for any account or positions specified in Rule 705(a), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Futures Contracts belonging to such Set in respect of such account or position.

Part 8 Options

Part 8 of the Rules does not apply to CDS Contracts or FX Contracts. References to Contracts in this section are to F&O Contracts. References to any Account in this section are references only to an Account in which F&O Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly. References to Customers in this section are solely to Customers of F&O Clearing Members in relation to F&O Contracts. This Part 8 applies to Sponsored Principals in the same way as it applies to Clearing Members.

Rule 801 *Payment of Premium*

- (a) A Buying Counterparty that becomes party to an Option shall be obliged to pay to the Clearing House the premium for the Option at the time specified in the Contract Terms.
- (b) A Selling Counterparty that becomes party to an Option will be credited by the Clearing House with an amount equal to the premium for the Option at the time specified in the Contract Terms.

Rule 802 *Reference Prices*

- (a) The Clearing House will specify the Reference Price for any Option Set.
- (b) The Reference Price will generally be determined on the basis of data provided by the Market on which the Contract in question is traded.
- (c) The Clearing House shall be entitled to determine the Reference Price itself, at its discretion, if:
 - (i) a Market fails on any day to determine a Reference Price;
 - (ii) a Market fails to provide the Clearing House with necessary data for determination of a Reference Price;
 - (iii) there is an error in data provided by a Market; or
 - (iv) the Clearing House at its discretion otherwise considers it appropriate to do so.

Rule 803 *Exercise of Options*

- (a) An Option Contract may be exercised only if permitted by the applicable Contract Terms. An Option Contract may be exercised only by a Clearing Member with a Long Open Contract Position or by the Clearing House in respect of a Contract in which it is Long. Option Contracts may only be exercised by a Clearing Member for any Option Set for such number of Contracts as are reflected in the Clearing Member's Open Contract Position, ~~(plus any other Contracts not included in the Open Contract Position)~~entered into on the same day as the exercise date, separately for each of the positions on the Clearing Member's:

Rule 810(d)

cash settlement of any Option shall be the net gain or loss, as the case may be, based on the difference between the price at which Open Contract Positions are recorded on the Clearing House's books and the Reference Price ~~and~~(or, for Contracts ~~not reflected in a Clearing Member's Open Contract Position~~entered into on the same day as the day of exercise, the difference between the Reference Price and the price at which ~~each new~~the relevant Contract ~~not in the Clearing Member's Open Contract Position~~ was bought or sold). Each cash settlement shall occur in accordance with the Contract Terms.

- (e) Upon each of the parties to a Contract having made all necessary payments in accordance with these Rules in respect of all Option Contracts in a Set in relation to which a cash settlement obligation exists for any account or positions specified in Rule 810(c), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Option Contracts belonging to such Set in respect of such account or position.

Rule 811 *Credit and Debit of Accounts*

The Clearing House shall make any necessary credits or debits to or from Clearing Members' Proprietary Margin Account and Customer Margin Accounts, as appropriate, arising as a result of each cash settlement and delivery in accordance with Part 3.

Rule 1605(h)

Collateral or the terms of a Pledged Collateral Addendum fall to be considered under the laws of any member state of the European Economic Area that has implemented Directive 2002/47/EC. For the avoidance of doubt, neither Rule 505 nor clause 2.11 of a Pledged Collateral Addendum are intended to affect any of: (i) the choice of law of the parties to any Pledged Collateral Addendum in respect of such addendum; (ii) the choice of law under Rule 1608; (iii) the location or governing law of any account in which Pledged Collateral is held by the Clearing House; (iv) the location or governing law of any account from or to which assets intended to become or which were previously Pledged Collateral are transferred to or from the Clearing House; (v) the existence or nature of any place of business, establishment or office in any jurisdiction of any Person; or (vi) the principal place of business or centre of main interests of any FCM/BD Clearing Member or any of its Customers or Affiliates.

(h) Notwithstanding anything to the contrary in Parts 3 or 5 of these Rules, Margin shall be calculated, called and returned in respect of Contracts recorded in a Swap Customer Account of an FCM/BD Clearing Member as follows:

(i) The Clearing House shall calculate the amount of required FCM Swap Customer IM separately for each Customer Swap Portfolio. The Clearing House shall determine an amount for each Customer Swap Portfolio at the time of each FCM Swap Customer IM calculation equal to the amount of required FCM Swap Customer IM for such Customer Swap Portfolio minus the value of the Margin then standing to the credit of the relevant Swap Customer Account that is allocated by the Clearing House to such Customer Swap Portfolio as FCM Swap Customer IM (a "**Customer Swap Portfolio Initial Margin Call/Return Amount**"):

(A) with respect to each Customer Swap Portfolio Initial Margin Call/Return Amount applicable to a Swap Customer Account of the Clearing Member that is a positive number, the Clearing House shall call such Clearing Member for an amount of FCM Swap Customer IM, such amount to be transferred ~~in accordance with~~ otherwise using the same procedures as are applicable for transfers of Margin from the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures, equal to such Customer Swap Portfolio Initial Margin Call/Return Amount;

(B) following the settlement in full of all Margin due to be transferred to the Clearing House pursuant to Rule 1605(h)(i)(A) above, the Clearing House will make available for return to the Clearing Member, ~~in accordance with Parts 3 and 5 of the Rules~~, for each Customer Swap Portfolio with a Customer Swap Portfolio Initial Margin Call/Return Amount that is a negative number, Permitted Cover in an amount as close as reasonably practicable to

(but not to exceed) the absolute value of such Customer Swap Portfolio Initial Margin Call/Return Amount, such amount to be transferred otherwise using the same procedures as are applicable for transfers of Margin to the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures; and

(C) if the Customer Swap Portfolio Initial Margin Call/Return Amount is zero, no FCM Customer Swap IM will be required to be transferred in respect thereof.

- (ii) The Clearing House shall calculate and collect Mark-to-Market Margin requirements for a Swap Customer Account of an FCM/BD Clearing Member on a net basis across all Customer Swap Portfolios in the same Swap Customer Account, ~~in accordance with~~ (but separately from any other amount due on the Swap Customer Account), such amount to be transferred otherwise using the same procedures as are applicable for transfers of Margin to or from the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures.
- (iii) Notwithstanding anything to the contrary in the Rules ~~(including Rule 302)~~, amounts required to be transferred between an FCM/BD Clearing Member and the Clearing House in respect of Margin pursuant to any of Rules 1605(h)(i)(A)-(B) and/or (ii) above shall not be netted or offset, except to the extent such netting or offset may be permitted by Applicable Law (including CFTC regulation or interpretation thereof).
- (i) The Clearing House will not accept the deposit of FCM/BD Swap Customer Collateral from an FCM/BD Clearing Member in respect of Contracts or Open Contract Positions recorded in a Swap Customer Account in excess of the amount required by the Clearing House, within the meaning of CFTC Rule 22.13(c). For the avoidance of doubt, any FCM/BD Swap Customer Collateral of an FCM/BD Clearing Member deposited with the Clearing House that subsequently exceeds the amount required by the Clearing House as a result of a change in the amount required or change in the market value of such FCM/BD Swap Customer Collateral will become available for withdrawal in accordance with Rules 302, 503 and 1605(h).
- (j) Notwithstanding anything to the contrary in the Rules, if the Clearing House determines to call for Margin pursuant to Rule 1605(h) in respect of one or more Customer Swap Portfolio Initial Margin Call/Return Amounts or Mark-to-Market Margin requirements for a Swap Customer Account of an FCM/BD Clearing Member on an intra-day basis, the Clearing House may in lieu thereof increase the applicable Margin requirement for one or more Proprietary Accounts of such FCM/BD Clearing Member.

(I) CLEARING PROCEDURES

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Paragraph 2.3(b)

2. Position-keeping accounts linked to a Customer Account for FCM/BD Clearing Members:

- (ix) S (for F&O) - maps to the Non-DCM/Swap Customer Account or General Customer Account ; [uses a gross margin model](#);
- (x) E (for F&O) - maps to the Non-DCM/Swap Customer Account or General Customer Account, which if the same kind of Account will be to the same Account as that in S; [uses a net margin model](#), and available for usage only in circumstances where net margin models are permissible under Applicable Laws;
- (xi) ~~(*)~~W – maps to DCM Customer Account; [uses a gross margin model](#); and
- (xii) ~~(*)~~Z – maps to Swap Customer Account; [uses a gross margin model](#).

3. Position-keeping-accounts linked to a Customer Account for Non-FCM/BD Clearing Members which are regulated by the Financial Conduct Authority and to whom the client money rules in CASS apply:

- (xiii) ~~(*)~~S (for F&O) or C (for CDS or FX) – maps to a Segregated Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS; or Segregated Customer Omnibus Account for FX [which is different and separate from that in E, F or K, uses a gross margin model](#);
- (xiv) E – maps to a different, separate Segregated Customer Omnibus Account for F&O from that in S, C, F or K, uses a net margin model;
- (xv) ~~(*)~~F – maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS or Segregated Customer Omnibus Account for FX; from that used for S, C, E or ~~E~~ K; made available in order to assist in any desire for separate treatment for Customers that are Affiliates but can be used for other groups of Segregated Customers; [uses a gross margin model](#);
- (xvi) R – maps to a different, separate Segregated Customer Omnibus Account for F&O from that used for S, C, E or F; made available in order to assist in any desire for separate treatment for Customers that are Affiliates but can be used for other groups of Segregated Customers; uses a net margin model;
- (xvii) ~~(*)~~T – Segregated TTFFCA Customer – maps to Segregated TTFFCA Customer Omnibus Account for F&O, Segregated TTFFCA Customer Omnibus Account for CDS or Segregated TTFFCA Customer Omnibus Account for FX [which is different and separate from that in R; uses a gross margin model](#);
- (xviii) K – maps to a different, separate Segregated TTFFCA Customer Omnibus Account for F&O from that used in T; uses a net margin model;
- (xix) ~~(*)~~I – maps to Margin-flow Co-mingled Accounts for Segregated Customers; and
- (xx) ~~(*)~~J . – maps to Margin-flow Co-mingled Accounts for Segregated TTFFCA Customers.

Circular C08/032 applies only to the Accounts in S ~~or~~ C, E, F, K and I of such Non-FCM/BD Clearing Members.

4. Position-keeping -accounts linked to a Customer Account for a Clearing Member which is neither (i) an FCM/BD Clearing Member nor (ii) a Non-FCM/BD Clearing Members falling under (3.) above:

- (xxi) ~~(xvii)~~ S (for F&O) or C (for CDS or FX) – maps to a Segregated Customer Omnibus Account for F&O, Segregated TTFCFA Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCFA Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCFA Customer Omnibus Account for FX which is different and separate from that in E, F, K, T or R, uses a gross margin model;
 - ~~(xviii) F – as for S or C, but maps to a different Customer Account for each Contract Category from that used for S or C or F;~~
 - (xxii) E – maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCFA Customer Omnibus Account for F&O from that in S, C, E, K, T or R; uses a net margin model;
 - (xxiii) F – maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated TTFCFA Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCFA Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCFA Customer Omnibus Account for FX from that in S, C, E, K, T or R; uses a gross margin model;
 - (xxiv) R – maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCFA Customer Omnibus Account for F&O from that in S, C, E, F, T or K; uses a net margin model;
 - (xxv) T – maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated TTFCFA Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCFA Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCFA Customer Omnibus Account for FX from that in S, C, E, F, K or R; uses a gross margin model;
 - (xxvi) ~~(xix) T – as for F, but~~ K – maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCFA Customer Omnibus Account for F&O from that used for S or C or F in S, C, E, F, R or T; uses a net margin model;
 - (xxvii) ~~(xx)~~ I – maps to Margin-flow Co-mingled Accounts; and
 - (xxviii) ~~(xxi)~~ J . – maps to different Margin-flow Co-mingled Accounts to those in I.
- (c) Clearing Members may maintain separate position-keeping accounts for each Exchange member for whom they provide clearing services.
 - (d) Where a Clearing Member holds accounts of Exchange members who are not Clearing Members, the mapping of these accounts to a Customer Account or Proprietary Account will be determined by the Clearing Member in conjunction with the relevant Market.
 - (e) For Individually Segregated Sponsored Principal Accounts, it is assumed that only H, D, N, and U sub-accounts are needed and only these are made available in the absence of any written request for additional sub-accounts. Sponsored Principals wishing to clear for Customers through indirect clearing arrangements may request establishment of additional sub-accounts similar to those used for Customer Accounts of Clearing Members, according to their regulatory status.

2.4 Open Contract Positions and Close-outs

- (a) The H, L, M and G sub-accounts will only reflect net Open Contract Positions. Systematic netting will take place before any Option exercise or delivery allocation.
- (b) The N sub-account and all Customer Accounts hold gross Contracts, showing all sell and all buy positions that have not been netted or closed out (in the case of position-keeping sub-accounts linked to Customer Accounts to the extent that there is more than one Customer interested in the Account). The ICE Systems and Rule 406 allow Clearing Members to close out opposite Contracts that are held gross in certain circumstances. In order to ensure a true representation of Open Contract Positions, Clearing Members and Sponsored Principals may be required to perform manual close-outs (netting) in the sub-accounts where gross Open Contract Positions are maintained. Clearing Members and Sponsored Principals are responsible for inputting any required manual netting or close-out instructions in relation to such sub-accounts.
- (c) Any close-outs should be performed in a fashion and at a time in accordance with Exchange Rules and in any event before Options expire or delivery processes commence. Position transfers between sub-accounts in the ICE Systems must be complete at or before 10:00 am in order to be reflected in Open Contract Positions and Margin calls calculated at the end of that day.
- (d) For Non-FCM/BD Clearing Members, Customer-CM Transactions arise only in respect of transactions recorded in a position-keeping sub-account linked to a Customer Account.

2.5 Invoicing Back, Void Contracts, etc.

- (a) Any Contracts which are subject to Invoicing Back will be reflected by the entry into by the Clearing House through the ICE Systems of a new Contract of opposite effect to the original Contract (or pursuant to such other terms or prices as are determined by the Clearing House pursuant to the Rules). Clearing Members will be notified of Contracts subject to Invoicing Back or amendment by the Clearing House's operations department. Each such event will be confirmed in writing.
- (b) Any Contracts which are void or voided will be deleted from the ICE Systems by the Clearing House. Clearing Members will be notified of Contracts which are void or voided by the Clearing House's operations department. Each such event will be confirmed in writing.
- (c) The Clearing House may make other trade or Open Contract Position adjustments as directed by the relevant Market. In each such event, the Clearing House's operations department will contact the Clearing Member and confirm such adjustment in writing.

3. FINANCIAL ACCOUNTS

3.1 Margining accounts

- (a) While Open Contract Positions are held in several different sub-accounts through the ICE Systems, the margining of Open Contract Positions will take place as follows:
 - (i) H, L, D, G, M, N and U will be margined together via the house account (referred to as a "Proprietary Account" under the Rules);
 - (ii) S and C will be margined via a General Customer Account or Non-DCM/Swap Customer Account of FCM/BD Clearing Members; or to the relevant Customer Account for Non-FCM/BD ~~Customers~~ Clearing Members; and for FCM/BD Clearing Members, E will be margined via the same Accounts as that used for S and C;

- (iii) ~~both for Non-FCM/BD Clearing Members, E, F, K, T and FR~~ will each be margined separately via the relevant Customer Account ~~for Non-FCM/BD Customers~~, which is a separate Customer Account in each case ~~for that used for S or C~~;
 - (iv) payments and collections on I and J will be margined on a net or gross basis across all Margin-flow Co-mingled Accounts in the relevant sub-account of the Clearing Member or on an Account by Account basis, in accordance with Rule 302;
 - (v) W will be margined via a “DCM Customer Account” under the Rules (this may also be referred to as CSEGW); and
 - (vi) Z will be margined via a “Swap Customer Account” under the Rules (this may also be referred to as CSEGZ).
- (b) Save as provided for I and J sub-accounts of the same Clearing Member in paragraph (a) and Rule 302, each separate Proprietary Account and Customer Account will be subject to calculations and calls for Margin separately. Transfers or offsets between any two such Accounts will not be possible. These Accounts are also all treated separately following any Event of Default, under Part 9 of the Rules. 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, or Sponsored Principal~~ Accounts or ~~by using "F" or "T" for an additional omnibus Customer Account as allowed under paragraph 2.3~~), the Clearing Member may request to be set up on the Clearing House's systems as if it were two Clearing Members and, where this approach is adopted, each Account of the same Customer Account Category will use the same sub-account code but with a different Clearing Member mnemonic (see paragraph (c) below). 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.
- (c) Records of all financial information including, but not limited to, Margin requirements, cash balances, collateral, contingent Margin, Buyer's Security and Seller's Security will be held in ICE Clear Europe's Extensible Clearing System (“ECS”) within the ICE Systems. The naming convention for the sub-accounts in ECS used for F&O Contracts will be the Clearing Member's or Sponsored Principal's three letter mnemonic followed by the sub-account code (e.g. XXXH for house / linked to a Proprietary Account). Margin-flow Co-mingled Accounts may also be established operationally using a dedicated three letter mnemonic referencing the Customer. The naming convention for the accounts in ECS used for CDS Contracts will be the Clearing Member's or Sponsored Principal's three number mnemonic followed by the account type (e.g. 123H for a Proprietary Account).
- (d) Clearing Members and Sponsored Principals can find more information about ECS functions and facilities in the ICE Systems user guide.

3.2 Guaranty Fund account

- (a) Each Clearing Member's Guaranty Fund Contribution will be recorded in a separate sub-account, recorded in ECS under the name XXXH-GUAR.

Table A: Summary of sub-account Codes

Position Account	ICE Systems Term	ECS Term	ECS Account name	Rulebook
N/A	N/A	Guaranty Fund Account	XXXH-GUAR	Guaranty Fund Contribution
H L	House	House Account (H)	XXXH (may also be referred to as	Proprietary Account

D G M U N	Individual Trader Default Gas Associate Market Maker Unallocated Non-segregated		HOUSE segregation)	
S C T E F K T R	Segregated Customer or Segregated TTFCA Customer	Client Account (C)	XXXC (may also be referred to as CSEG segregation- and, in respect of <u>(and for those</u> <u>accounts available</u> <u>to</u> FCMs only, may be referred to as Secured or 30.7 segregation) XXXS XXXT <u>XXXE</u> <u>XXXF</u> <u>XXXK</u> <u>XXXT</u> <u>XXXR</u>	A Customer Account: see paragraph 2.3.
I or J	Individually Segregated Operationally Co-mingled (ISOC)	ISOC	XXXI or XXXJ (whether using Clearing Member's or Customer's mnemonic)	Margin-flow Co-mingled Accounts
W	DCM Client	DCM Client Account (W)	XXXW (may also be referred to as CSEGW segregation, or Regulated or 4d(a) segregation)	DCM Customer Account
Z	Swap Client	Swap Client Account (Z)	XXXZ (may also be referred to as CSEGZ segregation, or Swaps or 4d(f) segregation)	Swap Customer Account

4. MARGIN PROCEDURES

4.1 General

The matters described in this paragraph 4 will be recorded through ECS and will form part of the Clearing House's daily Margin processes. Margin requirements will determine whether funds are needed to be paid to, or received from, the relevant Clearing Member. Any required payments will be effected through Approved Financial Institutions that participate in the assured payment system (APS), as described in the Finance Procedures.

4.2 Original Margin, Initial Margin and FX Original Margin

- (a) Original Margin, Initial Margin and FX Original Margin calculations are made separately in respect of each of a Clearing Member's Proprietary Accounts and Customer Accounts. No Margin offset is possible between any of these accounts. Original Margin, Initial Margin and FX Original Margin calculations for each Proprietary Account, ~~Segregated Customer Omnibus Account for F&O, Segregated TTFCFA Customer Omnibus Account for F&O and General Customer Account~~ will be applied to net positions for each Contract Set, rather than the sum of the gross positions for a Set. ~~Other Customer~~ Accounts are margined either on the basis of the net risk position across all Customers with related positions in the Account or on the basis of the gross positions for a Set of each Customer with related positions in the Account, in each case based on the records submitted by the relevant Clearing Member under Rule 401 and in the way set out in paragraph 2.3(b).
- (b) Original Margin, Initial Margin and FX Original Margin parameters are set by the Clearing House within the framework of the policy reviewed by the relevant Risk Committee.
- (c) The Clearing House will notify Clearing Members of any change to Original Margin, Initial Margin or FX Original Margin parameters by Circular no later than the day before calls are made based on the new parameters. For routine changes, the Clearing House will provide five Business Days' advance notice of changes to Margin parameters, unless another period is specified in the relevant Circular.
- (d) Original Margin, Initial Margin and FX Original Margin requirements will be calculated at close of business on a daily basis, for both Proprietary Accounts and Customer Accounts. Original Margin is calculated using the SPAN®* algorithm.

4.3 Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin

With the exception of Premium Up-Front Options (discussed in paragraph 4.4(c) below), all open Contracts are marked to market daily in accordance with the Contract Terms (which includes any applicable Market Rules). Profits and losses are credited to or debited from the relevant Nominated Customer Bank Account or Nominated Proprietary Bank Account of each Clearing Member as set out in the Finance Procedures.

4.4 Options Premium

- (a) The Clearing House clears two types of Options, both of which are types of F&O Contracts, with different margining methodology, "**Premium Up-Front**" and "**Future-Style**".
- (b) Future-Style Options (e.g. Brent) are marked to market and subject to Variation Margin calls daily in the same way as for Future Contracts.
- (c) Premium Up-Front Options (e.g. emissions) are subject to a full premium charge or credit on the day on which the Option Contract first arises under the Rules (i.e. the day of trading) as part of the overnight margining process. After the premium has been paid, Margin is calculated on an ongoing basis with reference to the difference between the Strike Price and the relevant daily Exchange Delivery Settlement Price (net liquidating value).
- (d) Clearing Members are referred to the applicable Contract Terms for details on the premium types for the Options currently cleared by the Clearing House as well as their exercise style (discussed further in paragraph 5).

4.5 Cash Settlement

* SPAN is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no responsibility in connection with the use of SPAN by any person or entity. SPAN is a risk evaluation and margin framework algorithm.