WILMERHALE

June 20, 2016

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Via email to FBOTapplications@cftc.gov

Vince A. McGonagle
Division of Market Oversight
Commodity Futures Trading Commission
1155 21st St., N.W.
Washington, D.C. 20581

Re: Amendments to Application for Registration of CME Europe Limited as a Foreign Board of Trade Pursuant to 17 C.F.R. §48.5

Dear Mr. McGonagle:

We are filing the attached amendments updating the Application of CME Europe Limited ("CMEEL" or "Exchange") for Registration as a Foreign Board of Trade under Commission Rule 48.5 on behalf of our client, CMEEL. This is the first set of amendments. We expect to file an additional set of amendments shortly.

The following is a list of new and revised documents supporting the Form FBOT:

- Amended CMEEL Form FBOT - Cover Page.pdf
- Amended CMEEL Form FBOT Exhibit A-3(1) - Membership Agreement.pdf
- Amended CMEEL Form FBOT Exhibit A-6(1) - Exchange Rulebook.pdf
- Amended CMEEL Form FBOT Exhibit A-6(2) - Exchange Procedures, 7 April 2016.pdf
- Amended CMEEL Form FBOT Exhibit B.pdf
- Amended CMEEL Form FBOT Exhibit C.pdf
- Amended CMEEL Form FBOT Exhibit F.pdf
- Amended CMEEL Form FBOT Exhibit G-1.pdf
- Amended CMEEL Form FBOT Exhibit G-2.pdf
- Amended CMEEL Form FBOT Exhibit G-3.pdf
- Amended CMEEL Form FBOT Exhibit G-4.pdf
- Amended CMEEL Form FBOT Exhibit H.pdf

The following is a list of new and revised documents for the Supplement S-1:

- Amended CMEEL FBOT Reg. - S-1 Cover Page.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-1(2).pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(1) Risk and Audit Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(2) Product Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(3) Disciplinary Panel.pdf

- Amended CMEEL FBOT Confidential - S-1 Exhibit A-3(1) CMECE Clearing Membership Agreement, June 2014.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit A-5(1) - CMECE Clearing Procedures, 30-10-2015.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit A-5(2) - CMECE Rulebook, 13-6-2016.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit B.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit D-3(1) CMECE Disclosure Document, April 2014.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit E.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-1.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-2.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-3.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit F-4.pdf
- Amended CMEEL FBOT Reg. - S-1 Exhibit G.pdf
- Amended CMEEL FBOT Confidential - S-1 Nomination Committee Terms of Reference.pdf

Please note that certain of these amended documents have been submitted with a petition for confidential treatment.

In addition, as a courtesy to the staff, we have included redlines of the revised documents for ease of reference. The redline versions are all being submitted subject to a petition for confidential treatment.

Please note that the Form FBOT and Supplement S-1 cover pages include minor updates. The original forms as certified remain in effect.

* * *

If you have any questions, we would be happy to discuss this application in greater detail.

Best regards,

Paul M. Architzel

WILMERHALE

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June 23, 2016

Via email to foiasubmission@cftc.gov

Assistant Secretary of the CFTC
for FOI, Privacy and Sunshine Acts Compliance
Three Lafayette Center
1155 21St Street, N.W.
Washington, D.C. 20581

Re: CME Europe Limited; FOIA Confidential Treatment Request

Dear Sir or Madam:

On behalf of our client, CME Europe Limited ("CMEEL"), we hereby request that the attached documents whose titles are listed below be afforded confidential treatment in accordance with the Freedom of Information Act ("FOIA"), 5 USC 552 and CFTC rules thereunder, 17 C.F.R. 145.9, for an indefinite period of time due to the sensitive commercial and proprietary nature of the information contained therein, public disclosure of which could be detrimental to CMEEL. As prescribed by 17 C.F.R. 145.9(d)(4), each page of the documents included in this request bears the legend "Confidential Treatment Requested by CME Europe Limited."

- Amended CMEEL Form FBOT Redline (Confidential) Cover Page.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit B.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit C.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit F.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit G-1.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit G-2.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit G-3.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit G-4.pdf
- Amended CMEEL Form FBOT Redline (Confidential) Exhibit H.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-1(2).pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(1) Risk and Audit Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(2) Product Committee.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-2(3) Disciplinary Panel.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit A-3(1) CMECE Clearing Membership Agreement, June 2014.pdf
- Amended CMEEL FBOT Confidential - S-1 Exhibit D-3(1) CMECE Disclosure Document, April 2014.pdf
- Amended CMEEL FBOT Confidential - S-1 Nomination Committee Terms of Reference.pdf

- Amended CMEEL FBOT Redline (Confidential) - S-1 Cover Page.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit A-1(2).pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit B.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit E.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit F-1.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit F-2.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit F-3.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit F-4.pdf
- Amended CMEEL FBOT Redline (Confidential) - S-1 Exhibit G.pdf

In accordance with the foregoing regulations, kindly notify me at the above address or at (202) 663-6240 of any request under FOIA for access to the enclosed documents to enable CMEEL to substantiate the grounds for confidential treatment, or if you have any questions regarding this document.

Sincerely,

Paul M. Architzel

cc: Vince A. McGonagle

COMMODITY FUTURES TRADING COMMISSION

SUPPLEMENT S-1 to FORM FBOT

CLEARING ORGANIZATION SUPPLEMENT TO

FOREIGN BOARD OF TRADE APPLICATION

CME Clearing Europe Limited
Name of clearing organization as specified in organizational documents

One New Change, Fourth Floor, London EC4M 9AF, United Kingdom
Address of principal executive office

CME Europe Limited
Name of the foreign board of trade on associated Form FBOT

☒ If this Supplement S-1 is accompanying a new application for registration, complete in full and check here.

☐ If this Supplement S-1 is an amendment to a pending application for registration, or to a final application that resulted in the issuance of an Order of Registration, please list all items that are amended or otherwise updated and check here.

When appropriate, please attach additional page(s) containing a list and explanatory statement of amendment(s) or update(s).

REGISTERED DERIVATIVES CLEARING ORGANIZATION

If the clearing organization is registered with the Commission in good standing as a derivatives clearing organization (DCO), please indicate by checking here:

☐ **CFTC-registered DCO.**

If the clearing organization is registered with the Commission in good standing as a DCO, the clearing organization need not complete the remainder of the Supplement S-1.

GENERAL INFORMATION

1. Name under which the business of the clearing organization will be conducted, if different than name specified above:

_____

2. List of principal office(s) where clearing organization activities are/will be conducted (please use multiple entries, when applicable):

Office (name and/or location):	CME Clearing Europe Limited
Address:	One New Change Fourth Floor London EC4M 9AF United Kingdom
Phone Number:	+44 20 3379 3100
Fax Number:	+44 20 3379 3101
Website Address:	http://www.cmegroup.com/europe/clearing-europe

3. Contact Information.

3a. Primary Contact for Supplement S-1 (i.e., the person authorized to receive Commission correspondence in connection with this Supplement S-1 and to whom questions regarding the submission should be directed):

Name:	Paul M. Architzel
Title:	Outside Counsel
Email Address:	paul.architzel@wilmerhale.com
Mailing Address:	1875 Pennsylvania Ave., N.W. Washington, D.C. 20006
Phone Number:	(202) 663-6240
Fax Number:	(202) 663-6363

3b. If different than above, primary contact at the clearing organization that is authorized to receive all forms of Commission correspondence:

Name:	Evelien Van Den Arend
Title:	Director, Legal & Regulatory
Email Address:	Evelien.VanDenArend@cmegroup.com
Mailing Address:	One New Change Fourth Floor London EC4M 9AF United Kingdom
Phone Number:	+44 20 3379 3768
Fax Number:	+44 7912 580 862

BUSINESS ORGANIZATION

Describe organizational history, including date and, if applicable, location of filing of original organizational documentation, and describe all substantial amendments or changes thereto:

CME Europe Limited, formerly known as CME Rubicon Limited, is a private limited company incorporated in England, with registered number 8189042. The Exchange has been recognized by the Financial Services Market as a Recognized Investment Exchange ("RIE") under the Financial Services and Markets Act 2000.

CME Clearing Europe Limited (CMECE) is a private limited company incorporated in England and Wales under the UK Companies Act 2006. The company number of CMECE is 06922932. The Bank of England acts as the lead supervisor of CMECE. CMECE is authorized under the Financial Services and Markets Act 2000 as a "recognized clearing house," and as a "central counterparty" under the Regulation on OTC Derivatives, Central Counterparties and Trade Repositories," which allows it to provide certain central counterparty clearing services to market participants within the European Union. CMECE is also a Designated Security Settlement System under the Financial Markets and Insolvency (Settlement Finality) Regulations 1999, which implements the Settlement Finality Directive (Directive 98/26/EC) of the European Parliament and of the Council of 19 May 1998.

SIGNATURES

By signing and submitting this Supplement S-1 the clearing organization agrees to and consents that the notice of any proceeding before the Commission in connection with the associated foreign board of trade's application for registration or registration with the Commission may be given by sending such notice by certified mail or similar secured correspondence to the persons specified in sections 3a and 3b above.

CME Clearing Europe Limited (CMECE) has duly caused this Supplement S-1 to be signed on its behalf by the undersigned, hereunto duly authorized, this _____ day of June, 2014. CME Clearing Europe Limited and the undersigned represent that all information and representations contained in this Supplement S-1 (and exhibits) are true, current, and complete. It is understood that all information, documentation, and exhibits are considered integral parts of this Supplement S-1. The submission of any amendment to a Supplement S-1 represents that all items and exhibits not so amended remain true, current, and complete as previously filed.

_____

Lee Betsill, Chief Executive Officer
CME Clearing Europe Limited

Dated 30 October 2015

CME CLEARING EUROPE LIMITED

CLEARING PROCEDURES

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Introduction

These Procedures should be read in conjunction with the Rules. In the event of any conflict between the Rules and these Procedures, the Rules shall take precedence. Capitalised terms that are defined in the Rules shall have the same meaning in these Procedures unless otherwise specified.

Unless otherwise specified, each provision of these Procedures applies to each category of Transaction.

Membership Procedure

1 Introduction

The general requirements of clearing membership are set out in Chapter 3 of the Rules. This Membership Procedure provides further information about certain of those requirements. The Clearing House reserves the right, at its absolute discretion and on the basis of ensuring the risk integrity of clearing arrangements, to establish additional, different or higher requirements for particular applicants or Clearing Members. In some cases this may reflect different categories of clearing membership for different types of Transactions.

2 Application Process

2.1 To apply for membership of the Clearing House, each applicant must complete the application form and submit this along with the supporting documents set out in it to the Risk and Membership Department of the Clearing House. The application form may be obtained by contacting the Risk and Membership Department on +44 (0)20 3379 3100.

2.2 The Risk and Membership Department will review the completed application and request additional information from the applicant where necessary.

2.3 Upon receipt of the completed application, the Risk and Membership Department will submit the application for review and consideration by the Risk Committee. Following this review, the Risk Committee will make a recommendation to the Board of Directors regarding the application for membership. The Board of Directors will then decide whether to grant membership of the Clearing House to the applicant. It is anticipated that the Risk Committee review will take place within six (6) weeks of receipt of the completed application.

3 General Requirements

These are set out in Clearing Rule 3.2.1. The remaining provisions of this Procedure set out further information about the Membership Criteria.

4 Asset classes which can be cleared by each Membership Category

4.1 The table below sets out which Membership Category a Clearing Member will need to belong to in order to clear Transactions relating to a specific asset class.

Asset class	Membership Category
OTC Commodity Contracts	Standard Clearing Member

Exchange Contracts	Standard Clearing Member
OTC IRS Contracts	IRS Clearing Member

4.2 A Participating Clearing Firm is not permitted to clear Transactions until it has provided to the Clearing House its Contribution to the Standard Guarantee Fund or IRS Guarantee Fund as applicable.

5 Standard Accounts

5.1 Standard Clearing Members are required to open separate Standard Accounts in respect of Exchange Contracts and all other Standard Contracts.

6 Capital Requirements

6.1 Standard Clearing Members are required to maintain Tier 1 Capital of at least GBP 10 million.

6.2 The capital requirement for IRS Clearing Members is scalable depending on the risks posed by an IRS Clearing Member. IRS Clearing Members are required to maintain Tier 1 Capital which is at least the higher of:

(a) EUR 350 million;

(b) equal to 20% (twenty per cent.) of the aggregate Collateral requirement for all of its IRS Accounts; or

(c) such other capital requirement recommended by the Risk Committee and approved by the Clearing House.

6.3 In establishing that the minimum capital requirements are met and respected by banks and other Clearing Members authorised and supervised by a Regulatory Authority for financial services (such as the UK FCA or PRA), the Clearing House will only recognise capital calculated pursuant to the rules and regulations of the primary Regulatory Authority of the Clearing House. For banks and non-bank investment firms, capital is defined as Tier I capital computed according to the capital adequacy requirements using the standards as defined by the FCA or PRA. Clearing Members which are banks must also maintain a Total Risk-Based Capital Ratio (Tier I Capital plus Tier II Capital divided by Total Risk Weighted Assets) of at least 10%. The Clearing House may set additional Capital Requirements.

6.4 For Clearing Members not regulated by any Regulatory Authority for financial services, the Clearing House will recognise the equivalent of Tier 1 capital as described in paragraph 6.3 in assessing whether the minimum capital requirement is met. A Clearing Member which is in doubt about this definition should contact the Risk and Membership Department on +44 (0) 20 3379 3100.

6.5 On the basis of risk evaluation and at its sole discretion, the Clearing House may require an applicant to maintain capital above the minimum capital requirement and may also require a parental guarantee in support of the applicant.

6.6 Prior to the approval of a membership application, each applicant will be assessed against defined levels of creditworthiness, as set out in the Clearing House's Credit Risk Policy. Applicants which do not meet the required level of creditworthiness will not be accepted as Clearing Members. Clearing Members will also be monitored on an on-going basis according to the Credit Risk Policy to ensure that they continue to satisfy the relevant financial requirements and remain in good financial health.

7 Collateral Requirements

Clearing Members must at all times meet the Collateral requirements which are set out in Chapter 6 of the Rules and the Clearing and Settlement Procedure.

8 Contributions

8.1 Standard Clearing Members must deposit with the Clearing House a Contribution to the Standard Guarantee Fund. The amount of the Contribution is determined by the Clearing House and re-assessed on at least a monthly basis. The amount required initially and each month is notified to the Standard Clearing Member. The minimum Contribution for a Standard Clearing Member is USD 0.5 million for commodities, and USD 1.5 million for FX.

8.2 IRS Clearing Members must deposit with the Clearing House the IRS Contribution to the IRS Guarantee Fund. The amount of the Contribution to the IRS Guarantee Fund is determined by the Clearing House and re-assessed on at least a monthly basis. The minimum Contribution to the IRS Guarantee Fund is EUR 10 million.

8.3 Further details on the Guarantee Funds and Contributions to them are set out in Chapter 7 of the Rules and the Guarantee Funds Procedure.

9 Financial Reporting Requirements

9.1 Clearing Members authorised and supervised by a Regulatory Authority for financial services must submit any and all financial reports that are required to be filed with such Regulatory Authority to the Clearing House unless the Clearing House is able to obtain them directly from such Regulatory Authority. Such financial reports must be filed with the Clearing House within thirty (30) Business Days after such statements are provided to the Clearing Member's primary Regulatory Authority.

9.2 Clearing Members not regulated by a Regulatory Authority for financial services must submit monthly unaudited financial reports in a form acceptable to the Clearing House. Such financial reports must be filed within fifteen (15) Business Days of each month-end.

9.3 The financial reports must:

(a) demonstrate compliance with the Clearing House's minimum capital requirements;

(b) demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;

(c) be presented in English; and

(d) be stated in the currency in which the Clearing Member is legally required to produce its audited financial reports.

9.4 If the information is not included in the financial reports, Clearing Members must also notify the Clearing House of any planned capital withdrawals and subordinated debt maturing within six (6) months of the date of such reports.

10 Financial Statement Filings

10.1 Clearing Members, authorised and supervised by a Regulatory Authority for financial services, are also required to submit audited financial statements as of the Clearing Member's financial year-end unless the Clearing House is able to obtain them directly from the Regulatory Authority. Such financial statements must be filed within five (5) Business Days of their submission to the Clearing Member's primary Regulatory Authority.

10.2 Clearing Members not regulated by a Regulatory Authority for financial services must also submit an audited financial statement as of the Clearing Member's financial year-end. These annual financial reports must be filed within sixty (60) Business Days of the Clearing Member's financial year-end.

10.3 Financial statements must:

(a) demonstrate compliance with the Clearing House's minimum capital requirements;

(b) demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;

(c) be presented in English; and

(d) be stated in the currency in which the Clearing Member is legally required to produce its audited financial reports.

10.4 The audited financial statements of Clearing Members must include at a minimum the following (or the equivalent in any jurisdiction to the extent applicable):

(a) external auditor's opinion letter;

(b) statement of financial condition;

(c) statement of income (loss);

(d) statement of cash flows;

(e) statement of changes in ownership equity; and

(f) appropriate footnote disclosures.

11 Disaster Recovery and Business Continuity

11.1 Each Clearing Member is required to have in place adequate disaster recovery and business continuity policies and procedures to enable it to satisfy its obligations under the Rules. It is for each Clearing Member to determine whether these are adequate but the Clearing House would expect, as a minimum, that a Clearing Member's arrangements:

(a) comply with any requirements or guidance of any applicable Regulatory Authority;

(b) are in line with any relevant industry standards or guidelines;

(c) enable the Clearing Member to satisfy its obligations to the Clearing House even in unforeseen circumstances; and

(d) are tested on a regular basis and improved as necessary on the basis of the test results.

11.2 Each Clearing Member will be required to participate in the Clearing House's testing of its own business continuity arrangements at least once each year. The Clearing House will provide at least four (4) months' notice of any such test, which will usually take place over a weekend.

11.3 Clearing Members are required to notify the Clearing Support Desk of the Clearing House on 44 (0)20 3379 3131 of relevant details in the event that the Clearing Member invokes its business continuity policies and procedures and is likely to require assistance from the Clearing House or if the event is likely to cause disruption to the Clearing Member's ability to satisfy its obligations to the Clearing House.

11.4 Where the Clearing House invokes its own business continuity arrangements, either partially or fully, it shall notify Clearing Members of such via its Website and/or Notice.

(a) The Clearing House operates a number of business continuity arrangements, including system failovers and site recovery. Depending upon the nature of a recovery event the Clearing House may:

(i) extend timings or deadlines as set out in the Rules or these Procedures;

(ii) amend or temporarily suspend margin procedures, including invoking ad hoc margin calls; and/or

(iii) amend the timing for acceptance and novation of Transactions.

(b) The Clearing House shall keep Clearing Members informed of any such events via its Website and/or Notice.

12 IRS Membership Requirements

12.1 IRS Clearing Members must provide the Clearing House with evidence that their firm and its staff have appropriate experience in the IRS market.

12.2 IRS Clearing Members must have the ability and expertise to:

(a) evaluate actual and theoretical market events on portfolio returns on an ex-post or ex-ante basis;

(b) mark Contracts to market on at least a daily basis;

(c) calculate concentration risk and impact on Collateral requirements at the levels of both the IRS Clearing Member and each of its Accounts;

(d) conduct independent daily stress tests based on position and regional concentrations for equities, interest rates, commodities, and foreign exchange asset classes;

(e) conduct independent daily stress tests for IRS Contracts based on the net exposures at Contract, Client and Account levels, assess their risk management protections in the light of the tests, and transmit the results to the Clearing House on request and be able to stress test components of portfolio risk;

(f) undertake risk factor modelling - using historical data to model future behaviour of risk factors including correlation, volatility, and optionality;

(g) netting - capacity to run netting rules to calculate overall exposure;

(h) aggregate - roll up data from the position level to the top of the firm;

(i) monitor IRS trading and profit and loss swings;

(j) directly access markets in order to liquidate positions held;

(k) be able to force liquidation of all or parts of clearing-level portfolios, on immediate notice;

(l) construct a bid for a default management auction;

(m) assist with hedging the portfolio of IRS Contracts of a Defaulting IRS Clearing Member and demonstrate ability to execute with multiple participants in the OTC market;

(n) take in a broad portfolio of IRS Contracts and price it in conjunction with the Defaulting IRS Clearing Member auction process;

(o) be able to commit qualified resources for simulated default management exercises that will be run periodically at the Clearing House. Primary responsibility for managing default events must reside within the IRS Clearing Member or one of its Affiliates that has been approved by the Clearing House.

13 Default Management Service Providers

13.1 A Default Management Service Provider appointed in accordance with Rule 3.2.3 and nominated as the Clearing Member's primary Default Management Service Provider shall:

(a) participate in any default management drills run by the Clearing House;

(b) participate in any relevant Default Management Committee(s) (where applicable);

(c) provide the individual(s) who will act on the Active Default Committee on behalf of the Clearing Member (where applicable);

(d) participate in the hedging process in accordance with the Default Management Overview Document (where applicable); and

(e) participate in any auction in which the Clearing Member is required to participate on behalf of the Clearing Member;

in each case, in accordance with the Rules and the Default Management Overview Document.

13.2 A Default Management Service Provider appointed by a Clearing Member and nominated as the secondary Default Management Service Provider shall be capable of performing each of the obligations set out in paragraph 13.1 and shall do so at any time if required by the Clearing House or the Clearing Member.

13.3 A Clearing Member which delegates the performance of the obligations set out in paragraph 13.1 of this Membership Procedure must submit to the Clearing House:

(a) details of the proposed Default Management Service Provider, including its regulatory status, evidence of its ability to provide the relevant services on behalf of both the Default

Management Service Provider and itself (if it is also a Clearing Member) and any other third party;

(b) final drafts of the agreements to be entered into between the Clearing Member and the proposed Default Management Service Provider in relation to the delegation pursuant to paragraph 13.1 of this Membership Procedure;

(c) any other information that the Clearing House may reasonably require from time to time.

13.4 The Clearing House shall consider the information provided to it pursuant to paragraph 13.3 and has absolute discretion whether to approve the appointment of a Default Management Service Provider.

13.5 A Clearing Member shall immediately notify the Clearing House in writing if the information provided to the Clearing House pursuant to paragraph 13.3 of these Membership Procedures materially changes following the approval of the appointment of a Default Management Service Provider.

A Clearing Member which delegates the obligations set out in paragraph 13.1 shall procure that the Default Management Service Provider and/or any individual that will participate in the relevant Default Management Committee(s) and/or the Active Default Management Committee(s) shall enter into such non-disclosure arrangements as required by the Clearing House.

14 Monitoring by the Clearing House

14.1 In accordance with Rule 3.6, the Clearing House will conduct periodic reviews of a Clearing Member's compliance with the Clearing Rules, including the Membership Criteria. Rule 3.6 sets out the requirements on Clearing Members in relation to such reviews.

15 Notifications

15.1 A notice or communication given under or in connection with the Rules or any Agreement with the Clearing House shall, unless otherwise specified, be in writing in English and sent by any of the methods set out below to the address specified below. A notice or communication shall be deemed to be given on the date set out below.

(1) **Permitted method**	(2) **Date on which Notice deemed given**
Personal delivery	When left at the relevant Address
Recorded or special delivery, or the nearest	Two (2) Business Days after posting

local equivalent in the jurisdiction of the sender	
Recorded or special delivery airmail, or the nearest local equivalent in the jurisdiction of the sender	Six (6) Business Days after posting

15.2 Notices or communications to the Clearing House should be marked for the attention of the Chief Executive Officer, and sent to the address below.

CME Clearing Europe Limited
Fourth Floor,
One New Change,
London
EC4M 9AF

Risk Management Procedure

1 Introduction

The Clearing House manages its counterparty and market risk by margining Clearing Members Contracts on a daily and intra-day basis according to the procedures described in this Risk Management Procedure. Risk is further mitigated through the collection and payment of profits and losses as determined through the variation settlement process described in this Risk Management Procedure.

2 Positions and Collateral

Position recording

2.1 Each Clearing Member may request as many Client Accounts as it wishes and ask the Clearing House to designate each Client Account as it specifies. The Clearing Member may designate any of its Client Accounts as relating to indirect clients.

2.2 The Clearing House records the positions in each:

(a) Omnibus Client Account on a gross basis save that the Clearing Member may require the Clearing House to net positions within an Omnibus Client Account each Business Day provided that the Clearing Member must not require the Clearing House to net positions relating to different Clients;

(b) Individual Client Account on a net, gross or selective basis at the Clearing Member's choice; and

(c) House Account on a net, gross or selective basis at the Clearing Member's choice.

2.3 Selective netting means that the Clearing Member may instruct the Clearing House to net certain positions within an Account each Business Day.

2.4 Recording positions on a net basis means that long and short positions are automatically set off against one another.

2.5 [Intentionally blank].

Margining

2.6 Margin Requirement and Variation Requirement are calculated separately for each Account as follows:

(a) for each gross Omnibus Client Account on a gross basis; and

(b) for each net Omnibus Client Account, Individual Client Account and House Account on a net basis.

2.7 In relation to the Net Settlement Amount, the Clearing House will call at least two amounts from each Clearing Member representing daily Net Settlement Amounts. These relate to:

(a) the House Account; and

(b) all the Clearing Member's Omnibus Client Accounts and Individual Client Accounts.

2.8 The Clearing House calculates the Variation Requirement for Contracts at least twice daily: intra-day and end-of-day. The Variation Requirement consists of a periodic mark-to-market or revaluation of Contracts and the determination of any final settlement amounts. The Variation Requirement also takes account of other amounts payable under the Contracts relating to an Account such as premiums. Under volatile market conditions, the Clearing House will conduct additional Variation Requirement calculations. For further information on the settlement cycles resulting from intra-day and end-of-day calculations, see paragraph 4 of the Clearing and Settlement Procedure.

2.9 To calculate the intra-day Variation Requirement, the Clearing House uses current market prices and applies them to the position data submitted by Clearing Members prior to the relevant time set out on the Website on that Business Day. For the end-of-day Variation Requirement, the Clearing House uses Final Settlement Prices and applies them to the position data submitted by Clearing Members prior to the relevant time set out on the Website.

2.10 The Clearing House uses the Margin Requirement and the Variation Requirement to calculate the Net Settlement Amount for the settlement cycle. The Net Settlement Amount for each Clearing Member is reported to the Clearing Member at the end of each settlement cycle. The Clearing House reserves absolute discretion as to how it calculates the Net Settlement Amount.

Omnibus Client Accounts

2.11 There are two types of Omnibus Client Accounts.

2.12 The first type of Omnibus Client Account (a net Omnibus Client Account) can only be used for Standard Contracts. In this type of Standard Omnibus Client Account, the Clearing House does not identify in its books and records in respect of which Client in the Standard Omnibus Client Account each Standard Contract is entered into or the value of the Collateral that has been transferred to the Clearing House in respect of that Client's Standard Contracts. In such an Account, there will be no Notional Sub-Accounts save to the extent that, in the event the Clearing House issues a Declaration of Default in respect of the Clearing Member, the Clearing Member can obtain the Defaulting Clearing Member's records and reconcile them with its Accounts in such a way that it is satisfied that it can identify which Contracts have been entered

into in respect of which Clients within a sufficiently short period of time. To the extent that this is the case, a Notional Sub-Account will be deemed to exist in respect of any Contracts that the Clearing House can satisfactorily identify as relating to a Client and the related value of Collateral. Otherwise, all other Contracts that are not identifiable as relating to a particular Client and a related value of Collateral will be deemed to form a separate Notional Sub-Account. The Notional Sub-Accounts are important for the Clearing House's calculations under the Default Rules. It is likely to be significantly more difficult for the Clearing House to take the actions set out in Rule 8.4 and "port" any Contracts that are not identifiable as relating to a particular Client or Rule 8.5.10(a) and return to a Client a Single Net Sum relating to any Contracts that are not identifiable as relating to that Client. The most likely option in respect of Contracts that are not identifiable as relating to a particular Client is that the Single Net Sum relating to such Contracts would be returned to the Defaulting Clearing Member in accordance with Rule 8.5.10(b).

2.13 The second type of Omnibus Client Account (a gross Omnibus Client Account) can be used for Contracts of any type and must be used for IRS Contracts. In this type of Omnibus Client Account, the Clearing House does identify in its books and records to which Client each Contract is entered into in respect of that Omnibus Client Account and it can identify the value of the Collateral that has been transferred to the Clearing House in respect of that Client's Contracts. In such an Account, a Notional Sub-Account will be deemed to exist in respect of each Client's Contracts and the value of the Collateral the Clearing House identifies as relating to each Client's Contracts. The Notional Sub-Accounts are important for the Clearing House's calculations in the event it issues a Declaration of Default against a Clearing Member and it should be simpler for the Clearing House to take the actions set out in Rule 8.4 and "port" Contracts recorded in this type of Omnibus Client Account or Rule 8.5.10(a) and return to a Client a Single Net Sum relating to the Contracts entered into on its behalf.

Omnibus Client Accounts for Clearing Members who offer client money protection to Clients

2.14 If a Clearing Member treats cash that it receives from a Client as client money (in accordance with the FCA Client Assets Handbook) and Contracts and Collateral relating to any such Clients are recorded in an Omnibus Client Account, the Clearing Member may request the Clearing House to record such Collateral in an Omnibus Client Account identified as relating to Clients whose cash it holds as client money.

2.15 If that Clearing Member also has Clients for which it does not hold cash as client money and the Clearing Member wishes to use an Omnibus Client Account in relation to such Clients, the Clearing Member may request the Clearing House to record Collateral relating to those Clients in an Omnibus Client Account identified as relating to Clients whose cash it holds as non-client money.

Unallocated House Buffer

2.16 Any Eligible Assets deposited with or delivered to the Clearing House by a Clearing Member in accordance with the Rules and in excess of a Collateral Requirement that relate to a House Account and in respect of which the Clearing House has not returned to the Clearing Member Equivalent Assets or other assets in accordance with the Rules (the **Unallocated House Buffer**) may, on the instructions or with the prior agreement of the relevant Clearing Member, be used to meet a Collateral Requirement on a Client Account of such Clearing Member at the next Settlement Cycle. In the event that the Clearing House issues a Declaration of Default in respect of the Clearing Member, the Clearing House may, but need not, in its absolute discretion, use any portion of the Unallocated House Buffer to determine the Portable Net Sum or the Single Net Sum in relation to any House Account or any Client Account or Notional Sub-Account of that Clearing Member as though such portion of Unallocated House Buffer were Collateral relating to that House Account, Client Account or Notional Sub-Account. In the event that the Clearing House does not otherwise use any portion of the Unallocated House Buffer, the Clearing House shall return such amount to the Defaulting Clearing Member.

Account structure at Settlement Banks and Custodians

2.17 The Clearing House may hold Eligible Cash and Eligible Securities in accounts in its name with a Settlement Bank or Custodian as follows:

- House;
- Omnibus Client Account: this may be divided between Client Money and Title Transfer Collateral Arrangement;
- Individual Client Account: this may be divided between Client Money and Title Transfer Collateral Arrangement;
- Guarantee Fund – Interest Rate Swaps; and
- Guarantee Fund – Standard Contracts.

IRS netting process

2.18 Notwithstanding paragraph 2.2 of the RMP, Contracts (or positions) recorded on IRS Individual Client Accounts and IRS Notional Sub-Accounts may be netted in any of the following ways:

(a) Gross - if this option is selected the Contracts in the relevant Account will not be netted;

(b) Net - if this option is selected the Contracts in the relevant Account will be netted based on the criteria set out below; or

(c) Elective Net - if this option is selected the Contracts in the relevant Account will be netted based on the criteria set out below and matching Client reference ID.

2.19 IRS Clearing Members must designate the basis on which the Contracts (or positions) are recorded on each of its IRS Individual Client Accounts and IRS Notional Sub-Accounts. IRS Clearing Members may change the designation for any of their Accounts at any time.

2.20 The netting process will consider IRS Contracts that have exactly the same economics, although the IRS Contracts may differ in direction and notional amount. For two or more IRS Contracts to be eligible for netting, they must, in addition to being in the same Account that is set up as a netting eligible Account, match in the following criteria:

(a) type of IRS Contract - this is represented by the template identifier USD3L, etc;

(b) effective date - the Clearing House will consider the unadjusted effective date when matching for netting criteria;

(c) maturity date - the Clearing House will consider the unadjusted maturity date when matching for netting criteria; and

(d) fixed coupon - the fixed coupon on the IRS Contracts must be the same.

2.21 IRS Contracts with stub periods will net provided the start and end date are the same for the stub period for all IRS Contracts eligible for netting. This is in addition to the netting criteria described above.

2.22 Partial netting occurs when IRS Contracts in an Account do not fully offset each other and there is remaining notional. In this case all of the IRS Contracts are terminated. A message is sent for a new IRS Contract containing a reference to all of the IRS Contracts that were terminated in the netting process. The new IRS Contract will retain the ID of the oldest IRS Contract in the same direction as that of the remaining notional.

IRS dormant House Accounts

2.23 The Clearing House will set up for an IRS Clearing Member that does not clear IRS Contracts other than on behalf of Clients a dormant House Account in order that the IRS Clearing Member can participate in an auction pursuant to the Default Management Overview Document.

3 IRS Variation Requirement payment flows

3.1 The Clearing House will notify IRS Clearing Members of the closing value of their IRS Contracts on each IRS Account at the end of each Business Day with reference to the NPV or adjusted NPV as defined in the IRS Manual of Operations.

3.2 The Variation Requirement is the difference between the closing values notified to the IRS Clearing Member between consecutive Banking Days.

3.3 On the Business Day prior to the coupon payment date the Variation Requirement will be calculated based on the adjusted NPV. This ensures that the coupon payment and Variation Requirement will net against each other when the cash flows are settled on the coupon payment date.

3.4 On coupon payment value dates the NPV will not take into account coupons that are paid or collected.

4 Margin Model and Parameters

4.1 Notwithstanding the below, at its sole discretion and in accordance with its margining policies, the Clearing House may increase the Margin Requirements for a particular portfolio on the basis of additional risk analysis, for example on the basis of liquidity or concentration concerns.

Standard margin model

4.2 The model used to calculate margin requirements for Standard Contracts is CME SPAN. The model simulates the effects of changing market conditions and uses tailored options pricing models to determine a portfolio's overall risk. CME SPAN constructs scenarios of price and volatility changes to estimate the potential loss arising if an entire portfolio must be closed out over a one or more day time horizon. The resulting margin requirement is designed to cover this potential loss at the required confidence level. Additionally, options purchased must be paid in full and therefore the value is added to the account equity. Conversely, the value of options sold is added to the overall margin requirement for the account.

4.3 A number of parameters are specified for each Contract in order for SPAN to simulate portfolio losses. These include:

(a) price scan ranges: in effect, the maximum price movement reasonably likely to occur in each instrument or, for options, in the underlying instrument;

(b) volatility scan ranges: the maximum change reasonably likely to occur in the implied volatility of the price of each option's underlying instrument;

(c) intra-commodity spreading rates: for evaluating risk among portfolios of closely related contracts within the same product group, such as products with particular patterns of calendar spreads;

(d) inter-commodity spreading rates; for evaluating risk offsets between related products; and

(e) short option minimum rates: to provide coverage for the special situations associated with portfolios of deep out of the money short option positions.

4.4 Parameters used in the calculation of the Margin Requirement are defined by the Clearing House. Parameters are reviewed and updated at least monthly, though ad hoc changes to parameters can be made at the sole discretion of the Clearing House at any time. Margin parameters and changes to margin parameters are published on the Website.

IRS margin model

4.5 The model used to calculate Margin Requirement for IRS Contracts in a HVaR model. This model uses exponentially weighted moving average volatility rescaling to determine the margins for a given IRS portfolio, scaling the historical returns based on current forecasted volatility to a measure of volatility realised at the point in time the shock was sampled.

5 Pricing and Valuation

5.1 Prices used in valuing Contracts are available to Clearing Members and certain Clients via the Clearing System and the price file available through the following FTP site: ftp.cmeclearingeurope.com.

5.2 The Clearing House makes available to its Clearing Members a tool for simulating Margin Requirement calculations known as PC SPAN for Standard Contracts and CME Core for IRS Contracts. Clearing Members can request the simulation tool by contacting the Clearing Support Desk of the Clearing House on 44 (0)20 3379 3131.

Clearing and Settlement Procedure

1 Submission of Transactions

1.1 Standard Transactions may be submitted to the Clearing House through any of the following routes:

(a) the ClearPort GUI and API;

(b) other broker or trade-negotiation platforms; or

(c) directly from Clearing Members to Front End Clearing.

1.2 IRS Transactions may be submitted to the Clearing House through any of the following routes:

(a) the ClearPort API;

(b) any third party vendor approved by the Clearing House from time to time (including MarkitSERV, Bloomberg VCON and TradeWeb);

(c) portfolio migration via Excel; or

(d) from all standard sources including each of Bloomberg VCON, MarkitSERV, TradeWeb and directly from swap execution platforms via API.

1.3 Exchange Transactions, apart from EFRP Transactions and Block Transactions, are automatically novated to the Clearing House upon such Exchange Transactions being matched on the Exchange in accordance with the Exchange Rules.

1.4 EFRP Transactions and Block Transactions may be submitted to the Clearing House through the ClearPort GUI and API.

1.5 In order to use certain submission routes, the Clearing Member and, in some cases, its Clients and Designated Users (as defined in the User Licence Agreement) may be subject to additional terms and conditions.

1.6 Regardless of Transaction submission route, only Clearing Members which have entered into the User License Agreement authorising the Clearing Member and/or Client to submit Transactions to the Clearing House on its and/or its Designated Users' behalf are eligible to submit Transactions.

1.7 Clearing Members must confirm with the Clearing House each Designated User which has completed the registration form available on the Website.

2 Clearing System Modules and Infrastructure

The Clearing House utilises a Clearing System comprised of five (5) basic categories of applications:

2.1 Transaction and Position Management Systems:

(a) Front-End Clearing: a multi-faceted trade processing module integrated with multiple Transaction matching and affirmation platforms and linked via a real time messaging infrastructure to all Clearing Member back office systems.

(b) The Position Management System: a central application that performs real time valuation and multilateral netting of all Contracts as well as generating the core clearing settlement cycle trade register data files and reports.

(c) Margin Calculation Systems: the Clearing House uses different margin models depending upon the Contract. For Standard Contracts the Clearing House uses the SPAN Model described in the Risk Management Procedure. For IRS Contracts the Clearing House uses a HVaR model described in the Risk Management Procedure.

(d) Settlement, Banking and Asset Management Systems: the application where all Clearing Member account structures are managed and linked to a Clearing Member's Settlement Bank Account for the purposes of the Net Settlement Amount cash flows.

(e) Referential Data Modules: these modules include the Clearing House Product, Calendar, Account Registration and Security Administration systems.

2.2 Transaction and Position Management

(a) Upon acceptance for clearing by the Clearing House pursuant to Rule 5.2, a Transaction becomes a Contract. The details of a particular Contract are set out within the following:

(i) the trade confirmation messages to the Clearing Member as generated by the Clearing System;

(ii) the Contract Module which contains the terms of the Transaction except Transaction-specific data: date, price, initial amount, side-of-market (reflected on the trade confirmation message); and

(iii) general terms set out in the Rules.

2.3 Transactions, Contracts, and Positions

(a) Once novated, Transactions give rise to positions in a specific Contract. A position in a Contract is opened by clearing a Transaction entered into as Buyer or Seller and closed by clearing a Transaction in the opposite capacity. With the Clearing House as a central counterparty to each Contract, multilateral position netting is possible. Thus, it does not matter whether the opposite Transaction is entered into with the same counterparty or a different one.

(b) The Contract is made unique within a product family via:

(i) The Product Reference File

This file is published in the late afternoon of each Business Day, and provides complete specifications for all Contracts eligible for clearing the following Business Day.

(ii) The Clearing Product Code

The clearing product code identifies the details of a Contract. This is an alphanumeric value.

(c) The clearing product code is provided in both the product reference file and on each clearing trade confirmation in the ID attribute of the Instrument block.

2.4 Positions

(a) The Position Management module complements the real-time Transaction processing capabilities of Front End Clearing, by providing near real-time tracking on position quantities and money amounts such as Margin Requirement and Variation Requirement of Contracts.

(b) As Transactions clear, and as allocation processing is performed, messages are sent from Front End Clearing to Position Management, which performs the following processing in real time:

(i) updates the Contract position quantities held by Clearing Members; and

(ii) for each such position, performs real-time calculations of the Net Settlement Amount.

(c) Margin calculation shall be calculated in accordance with the Risk Management Procedure.

2.5 Settlement, Banking and Asset Management Systems

(a) The Margin Requirement and the Variation Requirement are major components of the risk management protections of the Clearing House. Collateral is transferred to the Clearing House in respect of Contracts reflected in the Clearing Members' Accounts. Net Settlement Amounts due and owing to the Clearing House are payable by the Clearing Member through its Settlement Bank in Eligible Cash and may be subsequently substituted with an equal or greater amount of Eligible Securities. Net Settlement Amounts due and owing to the Clearing Member are payable by the Clearing House through the relevant Clearing Member's Settlement Bank.

(b) The Clearing House calculates the Collateral requirements for Accounts as set out in the Risk Management Procedure. Clearing Members are responsible for meeting Net Settlement Amounts payable to the Clearing House in respect of the Accounts. It is the responsibility of the Clearing Member to collect collateral from Clients, which must be of an amount not less than the amount of Collateral which the Clearing Member is obliged to provide to the Clearing House in respect of the Client's Transactions and may not necessarily take the same form as such Collateral or to advance credit in respect of the Client of not less than such amount.

3 Notifications in relation to IRS Transactions

3.1 The Clearing House will provide real time notifications to IRS Clearing Members during the straight through processing of IRS Contracts. The details of the notifications that may be provided to IRS Clearing Members are set out in the IRS Manual of Operations.

4 IRS credit limit management

4.1 In addition to the credit checks which must be satisfied under Rules 5.1 and 5.2, IRS Clearing Members may also set credit limits in respect of IRS Transactions on each of their IRS Accounts. If an IRS Clearing Member sets such credit limit on an IRS Account, a Transaction submitted must, in addition to Rules 5.1 and 5.2, satisfy such credit limit before it is accepted or novated by the Clearing House.

4.2 Such IRS Clearing Member set credit limits may be changed in real-time. Only certain persons at the IRS Clearing Member may change the settings. The IRS Clearing Member must inform the Clearing House of who should have such Admin login privileges in relation to the credit limits.

4.3 IRS Clearing Members may also specify persons who should have User login privileges in relation to credit limits. Persons with User login privileges will be able to view IRS Clearing Member set credit limits but will not be able to change such credit limits.

4.4 IRS Clearing Member set credit limits can be set as:

(a) a cap on the gross amount in an IRS Account which does not consider directional or the notional amount in an IRS Account;

(b) a cap on NPV in either a positive or negative direction; or

(c) a cap on the direction amount.

Calculations for any credit limits that are sensitive to market conditions will be based on the most recent curve in the system.

4.5 IRS Clearing Member set credit limits may be set at zero. If any IRS Clearing Member credit limits are set at zero, the Clearing House will, pursuant to Rule 5.1, decline to accept any Transaction in relation to the relevant Account. The IRS Clearing Member may then use the process set out in paragraph 4.7 below.

4.6 IRS Clearing Member set credit limits will be daily limits. For the purposes of the IRS Clearing Member set credit limits each account value will be reset at zero at the start of each Business Day.

4.7 Where the Clearing House declines to accept a Transaction due to the Transaction being in excess of the IRS Clearing Member set credit limit, the IRS Clearing Member who is responsible for the relevant failed submission will be notified of the failure via the CME Clearing API and Front End Clearing (FEC) Deal Management System (DMS) browser based interface. Following the receipt of such notification, the relevant IRS Clearing Member may then grant consent for the failed Transaction to be re-submitted to the Clearing House, such consent will override the IRS Clearing Member set credit limit only in relation to the submission and novation of that Transaction. The Transaction will at all times remain subject to any credit checks imposed by the Clearing House and Chapter 5 of the Rules.

4.8 The IRS Manual of Operations provides details on how to use the credit limit functionality of the Front End Clearing (FEC) Deal Management System (DMS) in relation to IRS Transactions.

4.9 The Clearing House will establish hard limits for each IRS Account. Hard limits are subject to change at any time at the discretion of the Clearing House. IRS Clearing Members will be notified as soon as practicable of any change to the hard limit on any of their IRS Accounts. Any submitted IRS Transaction that is in excess of the hard limit for the relevant Account will be rejected for clearing by the Clearing House. Rejected IRS Transactions remain bi-lateral, non-cleared transactions in accordance with the appropriate legal documentation for bi-lateral over-the-counter transactions.

5 Submission of IRS Transactions through an affirmation platform

5.1 IRS Transaction submission - acceptance of IRS Transactions

IRS Transactions submitted to the Clearing House will, subject to Rules 5.1 and 5.2, be accepted and novated by the Clearing House provided that they are within any credit limits set by the relevant IRS Clearing Member. Where an affirmation platform is used to submit the IRS Transaction, the Clearing House will send a notification that the IRS Transaction has been accepted and novated to the relevant affirmation platform. The Clearing House will also send a confirmation that the IRS Transaction has been accepted and novated to the relevant IRS Clearing Member.

5.2 IRS Transaction submission - rejections under Rules 5.1 and 5.2

If, pursuant to Rules 5.1 or 5.2, the Clearing House declines an IRS Transaction, received from an affirmation platform, the Clearing House will send a rejection message to the relevant affirmation platform. The rejection notice will indicate the reason for the rejection.

5.3 IRS Transaction submission - one side IRS Clearing Member credit limit failure

If one side of the IRS Transaction, which represents one half of an underlying bilateral swap, is declined by the Clearing House on the basis that it exceeds any IRS Clearing Member set credit limits for IRS Transactions for the relevant Account, the Clearing House will send a message to the affirmation platform stating that acceptance, of both sides of the IRS Transaction, by the Clearing House is subject to confirmation by the relevant IRS Clearing Member. Upon the Clearing House issuing such notice either side of the IRS Transaction may be withdrawn. If the relevant IRS Clearing Member confirms, in accordance with paragraph 4.7 above, that the IRS Clearing Member set credit limit can be waived and neither side of the IRS Transaction has been withdrawn, the Clearing House will, subject to Rules 5.1 and 5.2, accept and novate both sides of the IRS Transaction.

5.4 IRS Transaction submission - both sides IRS Clearing Member credit limit failure

If both sides of the IRS Transaction in relation to the underlying bilateral swap are declined by the Clearing House on the basis that they both exceed any IRS Clearing Member set credit limits for IRS Transactions for the relevant Accounts, the Clearing House will send a message to the affirmation platform stating that acceptance of both sides of the IRS Transaction by the Clearing House are subject to confirmation by the relevant IRS Clearing Members. Upon the Clearing House issuing such notice either IRS Transaction may be withdrawn. Provided the IRS Clearing Members confirm, in accordance with paragraph 4.8 above, that the IRS Clearing Member set credit limits can be waived and neither side of the IRS Transaction has been withdrawn, the Clearing House will, subject to Rules 5.1 and 5.2, accept and novate both sides

of the IRS Transaction. If the IRS Clearing Members do not issue such confirmations both sides of the IRS Transaction will be rejected by the Clearing House.

5.5 **IRS Transaction submission - pre-clearing allocations; all allocations cleared**

Where there is a group of IRS Transactions, subject to agreement by both underlying counterparties, the group of IRS Transactions may be allocated to different IRS Clearing Members for submission as separate sides of an IRS Transaction to the Clearing House. Where each such side of an IRS Transaction is accepted and novated by the Clearing House in accordance with Rules 5.1 and 5.2, paragraph 5.1 above will apply.

5.6 **IRS Transaction submission - Pre-clearing allocations; one allocation rejected**

Where there is a group of IRS Transactions, subject to agreement by both underlying counterparties, the group of IRS Transactions may be allocated to different IRS Clearing Members for submission as separate sides of an IRS Transaction to the Clearing House. If one of those sides of the IRS Transaction is rejected by the Clearing House, the Clearing House will send a message to the affirmation platform stating that acceptance of that side of the IRS Transaction by the Clearing House is subject to confirmation by the relevant IRS Clearing Member. The Clearing House will also disclose in the notice which group of IRS Transactions the rejection relates to. The IRS Clearing Member for the rejected side of the IRS Transaction may then withdraw or, if the side of the IRS Transaction is confirmed by the relevant IRS Clearing Member, subject to Rules 5.1 and 5.2, it may be accepted and novated by the Clearing House.

6 IRS portfolio migration via Excel

6.1 Portfolios of IRS Transactions may be submitted to the Clearing House for direct upload into the position management system from either a third party platform or directly from an IRS Clearing Member.

6.2 An Excel file with a number of IRS Transactions will be treated as one IRS Transaction.

6.3 If a portfolio of IRS Transactions is submitted to the Clearing House via an Excel file the IRS Clearing Member is deemed to consent to the Clearing House accepting any such IRS Transactions that may exceed any relevant IRS Clearing Member set credit limits.

7 Identification of IRS Transactions

7.1 Each IRS Transaction is identified with an IRS Clearing Member number, a block ID, a Client Account ID, and the origin, identifying whether it is a Transaction relating to the IRS Clearing Member's House or Client Account.

8 IRS Contract quantities and side-of-market

8.1 The Clearing House adheres to the industry standard convention that the Contract quantity is the notional amount of the Contract. These will typically be round numbers, but the Clearing House will accept any Contract quantity to any integer notional amount. Each IRS Transaction contains information identifying the side of the Transaction, the IRS Clearing Member, the customer account number and the origin.

8.2 The side-of-market is assigned using the industry standard convention: pay fixed is expressed as a negative notional amount and to receive fixed is expressed as a positive notional amount.

9 IRS coupon payments

9.1 IRS Contracts have two streams of coupon payments:

(i) fixed coupon payments; and

(ii) floating coupon payments.

9.2 The following parameters are used to determine the coupon payments due under IRS Contracts:

(a) accrual period - these are derived from the payment dates for the type of coupon;

(b) day count convention - this is specified in the Contract Specification for each type of Contract;

(c) effective rate - this is the fixed or the floating rate based on the type of coupon payment; and

(d) notional - this is the notional amount specified in the Contract.

9.3 The coupon payment dates are calculated when an IRS Contract is cleared and are notified to the relevant IRS Clearing Member in the confirmation message. The dates are adjusted based on holidays following the ISDA 2006 conventions specified on the relevant Contract Specification.

10 IRS settlement curve

10.1 The Clearing House incorporates an overnight index swap (**OIS**) methodology for the IRS valuation of settlement prices. For the OIS methodology discounting is calibrated to the IRS structure of the prevailing IRS Clearing Members' funding/investment instruments.

10.2 USD, EUR and GBP instruments use multi-curve processes which require LIBOR, OIS and Basis Swaps inputs. AUD, CAD, CHF and JPY instruments use a single-curve process which only require LIBOR inputs.

11 Eligible Collateral and Valuation

11.1 The Clearing House accepts a range of currencies (Eligible Cash), securities (Eligible Securities) and Gold as Collateral. Clearing Members can use Eligible Cash (as set out on the Website) and Eligible Securities to meet their Guarantee Fund Contributions and Eligible Cash to meet Assessments.

11.2 Eligible Assets are set out on the Website. Certain Contracts may require a particular currency of Eligible Cash to be provided as Variation Requirement and/or Margin Requirement as set out in the relevant Contract Specification. For the avoidance of doubt, such currencies will be Eligible Cash for the purposes of meeting the Variation Requirement and/or Margin Requirement for such Contracts as out in such Contract Specification, but unless the same currency is also listed on the Website as Eligible Cash, such currency will not be Eligible Cash for the purposes of any other payment by the Clearing Member unless otherwise specified by the Clearing House. Clearing Members are advised to confirm with their Settlement Bank that they are capable of making and receiving payments from their Bank Account in the currency required for Variation Requirement and/or Margin Requirement before entering into any Contract.

11.3 In the event that a particular Eligible Asset ceases to be an Eligible Asset or it remains an Eligible Asset but its value decreases, the Clearing Member shall provide additional Eligible Assets to cover for any shortfall caused by the removal of such Eligible Asset from being an Eligible Asset or the devaluation of such Eligible Asset.

11.4 The Clearing House values each type of Eligible Assets at a discount. The percentage discount for each type of Eligible Asset, known as a haircut, is set out on the Website.

11.5 The Clearing House determines the market value of Collateral in the following ways:

(a) Eligible Cash: face value though appropriate haircuts are applied to cash when it is utilised to meet the Margin Requirement established in other currencies; and

(b) Eligible Securities and Eligible Precious Metals: the Clearing House revalues Eligible Securities and Eligible Precious Metals on a daily basis with prices provided by third party price sources.

11.6 The Clearing House reports the value of Eligible Assets to the Clearing Member daily.

11.7 A Clearing Member may request that additional Eligible Assets be accepted. Such requests will be analysed by the Risk and Membership Team and a recommendation to accept or reject the new type of collateral will be presented to the Risk Committee for review and endorsement.

12 Settlement Banks and Timings

12.1 Each Clearing Member must identify its Settlement Bank or Settlement Banks in writing to the Clearing House, along with the numbers of the Bank Accounts to be used for settlement. Written notification in advance is required whenever a Clearing Member changes its Settlement Bank or Bank Account number. The Clearing House has relationships with the Settlement Banks set out on the Website.

12.2 Clearing Members must execute the appropriate documentation with each Settlement Bank to allow the Settlement Bank to debit or credit the Clearing Member's Bank Accounts on instruction from the Clearing House to meet the amounts set out in Rule 4.2.2 and to allow the Settlement Bank to share certain information with the Clearing House. This will be provided by the Settlement Bank but the Clearing Member will provide the Clearing House with a copy of the executed document and any amendments to it as set out in Rule 4.2.2.

12.3 The Clearing House operates two (2) settlement cycles each day and may require the Clearing Member to transfer Collateral to it or make payment to the Clearing Member at the end of each settlement cycle in satisfaction of a Net Settlement Amount. However, for certain Contracts, the Clearing House may, in practice, only require the Clearing Member to transfer Collateral or make payment to the Clearing Member at the end of one settlement cycle each day. The normal deadlines for the transfer to the Clearing House of Eligible Cash in respect of Contracts for clearing are set out on the Website.

12.4 The Net Settlement Amount will be called in the currency required by the Clearing House. Each Clearing Member is responsible for its own cash management by monitoring Collateral requirements and taking appropriate actions to deposit or release Eligible Assets as necessary.

12.5 Each Clearing Member must ensure that it has provided the Settlement Bank with adequate Eligible Cash or has appropriate arrangements with its Settlement Bank to enable its Settlement Bank to satisfy its Net Settlement Amounts payable to the Clearing House at each settlement cycle.

12.6 A Clearing Member may request that Eligible Cash, Eligible Securities or Eligible Precious Metals be substituted with alternate forms of Eligible Assets. Requests for such substitutions can be made by the Clearing Member using the clearing system. Substitutions are subject to confirmation of receipt by the Clearing House prior to release of the Eligible Assets being substituted. In most cases, substitutions can be made within the same day. The relevant cut-

offs and timings for substitutions are set out on the Website. This paragraph is subject to any other agreement that is made between the Clearing House and the Clearing Member

13 Fees and Charges

13.1 Fees and charges for clearing Transactions are set out in the Fees and Charges Notice, which is published on the Website. Fees and Charges are payable in the currencies set out in the Fees and Charges Notice. The Clearing House collects fees and charges on a monthly basis through each Clearing Member's Bank Account. Clearing Members are notified of applicable fees for each month in arrears on the fourth Business Day of each month and collected through the settlement cycle on the seventh Business Day of each month.

13.2 If the Clearing Member does not have adequate Eligible Cash in the required currency in its Bank Account, the Clearing House may take Eligible Cash in a different currency from the Clearing Member's Bank Account and then charge the Clearing Member for conversion at the rates set out in the Fees and Charges Notice.

13.3 The Clearing House will transfer Equivalent Distributions on Eligible Securities transferred to it in accordance with Rule 6.3 within five (5) Business Days of receipt of the relevant Distributions by the Custodian.

13.4 The Clearing House will pay interest on Eligible Cash. The Clearing House will determine the interest rate and calculate the interest payable each Business Day in respect of the previous Business Day and publish such rates on the Website. Interest will be payable on a monthly basis.

13.5 The Clearing House will pass on custody fees to Clearing Members which provide Eligible Securities and depositary fees to Clearing Members which provide Eligible Precious Metals at the rates set out in the Fees and Charges Notice.

14 Reports

14.1 The Clearing House will provide the Clearing Member with the following reports:

(a) EOD Asset Inventory Trial Balance;

(b) EOD Full Value Delivery Margin Requirements;

(c) EOD Pledge Stock;

(d) EOD Recap Ledger Audit Report;

(e) IDY Recap Ledger Audit Report;

(f) EOD Span Recap Ledger-Total PB Requirements by PB Acct.;

(g) IDY Span Recap Ledger-Total PB Requirements by PB Acct;

(h) EOD Span Recap Ledger-Detail By Position Accounts;

(i) IDY Span Recap Ledger-Detail By Position Accounts;

(j) EOD Span Recap Ledger-PB By Commodity Group;

(k) IDY Span Recap Ledger-PB By Commodity Group;

(l) EOD Span Recap Ledger-FNL Performance Bond Requirements;

(m) IDY Span Recap Ledger-FNL Performance Bond Requirements;

(n) EOD Recap Ledger-Total Variation By Settlement;

(o) IDY Recap Ledger-Total Variation By Settlement;

(p) EOD Final Margin Accounts;

(q) IDY Final Margin Accounts;

(r) Position Adjustment By Firm;

(s) IDY Gross Position Change (PC) Listing;

(t) Cash Settlement Report;

(u) In-The-Money-Report;

(v) EOD Daily Trade And Position Register;

(w) IDY Daily Trade And Position Register;

(x) EOD Pay/Collect Summary;

(y) IDY Pay/Collect Summary;

(z) Variable Size Contracts Recap;

(aa) Option Exception Summary; and

(bb) Option Assignment Notice.

14.2 Reports can be retrieved in pre-formatted form or in a form capable of interface through the Clearing System and are generally available to Clearing Members by 21:00.

14.3 The Clearing House requires that Clearing Members inform the Clearing House no later than one (1) hour before the time at which the Clearing House publishes the EOD Daily Trade and Position Register on any Business Day of their Clients' final end of day positions. This is known as the PCS deadline.

15 IRS reports

15.1 The Clearing House will provide IRS Clearing Members with the following reports:

Report	Timing
Coupon Advisory	Firm level report available circa 0100 GMT in excel format
Reset Report	Daily report available circa 0100 GMT in FpML format.
Position Report	Daily report available circa 0100 GMT in FpML format.
Trade Registers	Daily report available circa 0100 GMT in excel format
IRS Risk Parameter File	Daily report available circa 0100 GMT
IRS Margin Data File	Daily report available circa 0200 GMT.
EOD reports for Collateral Management and Settlement Banking	Daily reports including Asset Inventory Trial Balance, Margin Requirement, Variation Margin Requirement and Final Margin Accounts, available circa 0530 GMT.
PAI Rate File	Daily report available circa 2000 GMT
CMECE Holiday Calendar	Daily report available circa 2000 GMT
Discount Factor Report	Daily report available circa 2130 GMT
Curve Input Report	Daily report available circa 2130 GMT
IRS Stress Test	Daily report available circa 1330 GMT T+1

Scaled Log Returns	Daily report available circa 1400 GMT
Base Curves	Daily report available circa 1400 GMT

Further information about the purpose of each report is set out in the IRS Operations Manual.

16 Transfer of IRS Contracts pursuant to Rules 5.3 and 3A.6

16.1 Transfers may be requested due to processing errors or a change of Clearing Member by a Client. The Client notifies the Clearing House directly to transfer a Contract between Clearing Members. The Clearing House will then reach out to both the current Clearing Member and the receiving Clearing Member. In accordance with Rules 5.3 and 3A.6, the Clearing House may process the transfer and send transfer confirmation messages to both Clearing Members. The Client ID will remain constant throughout this process.

16.2 Where a Contract is transferred pursuant to Rules 5.3 or 3A.6 on the coupon payment value date, the Contract will be transferred without the coupon payment. It is assumed that the relevant IRS Clearing Members will compensate for this by exchanging upfront payments with each other of equivalent value to the coupon payment.

17 Time period for allocation of Exchange Contracts to the relevant Client Account

17.1 If a Clearing Member is required to re-allocate an Exchange Contract and any Collateral registered in a Standard Omnibus Client Account to another Client Account, such re-allocation must be done no later than the earlier of:

(a) sixty (60) minutes after the relevant Exchange Transaction has been novated in accordance with Rule 5.2; or

(b) the start of the next Settlement Cycle.

18 Client support

The Clearing House provides client support to Clearing Members between the hours of 07:00 and 19:00 Monday to Friday other than Holidays. However, a Clearing Member technical helpdesk is available to assist with queries from Clearing Members twenty-four (24) hours per day, six (6) days per week. The telephone number for the Clearing Support Desk is +44 0(20) 3379 3131.

Guarantee Funds Procedure

1 Introduction

The Clearing House has two Guarantee Funds: a Standard Guarantee Fund and an IRS Guarantee Fund. The Guarantee Funds are an important element of the overall system of financial safeguards operated for the protection of the Clearing House, its Clearing Members and the integrity of the markets cleared. Clearing Members active in the clearing of both Standard and IRS Transactions must contribute to both Guarantee Funds. The Contribution posted by a Clearing Member is available for use in the event that it is unable to meet its obligations to the Clearing House and the costs to the Clearing House of managing the default exceed the Collateral that the Clearing Member has transferred to it. The Clearing House may use its own contribution and then the Contributions of non-defaulting Clearing Members of the same category of the Defaulting Clearing Member should the costs of managing the default of a Defaulting Clearing Member exceed the value of that Clearing Member's assets held by the Clearing House.

2 Fund Size and Composition

The size of each of the Guarantee Funds is determined by the Clearing House on the basis of its Guarantee Fund policy. In accordance with the Standard Guarantee Fund Policy, the Standard Guarantee Fund will, other than for exceptional, short periods defined in the policy, be at least equal in value to the highest stress-tested hypothetical loss in excess of Collateral attributable to any one Standard Clearing Member. In accordance with the IRS Guarantee Fund Policy the IRS Guarantee Fund will, other than for exceptional short periods defined in the policy, be at least equal in value to the two highest stress-tested hypothetical losses in excess of Collateral attributable to IRS Clearing Members. The relative size of the contributions of the Clearing House will be assessed periodically. The adequacy of the size of the Standard Guarantee Fund will be formally assessed at least quarterly in conjunction with the Risk Committee. The adequacy of the size of the IRS Guarantee Fund will be formally assessed at least monthly.

3 Calculation of Contributions

3.1 Unless otherwise communicated by the Clearing House, a Standard Clearing Member's Contribution is the higher of:

(a) the minimum Contribution of the equivalent of:

(i) USD 500,000 if the Standard Clearing Member only clears Contracts which have a commodity as the underlying asset;

(ii) USD 1.5 million if the Standard Clearing Member only clears Contracts which have a currency/currencies as the underlying asset (such Contracts can be either or both Exchange Contracts and Contracts which are not Exchange Contracts); or

(iii) USD 2 million if the Standard Clearing Member clears both Contracts which have a commodity as the underlying asset and Contracts which have a currency/currencies as the underlying asset.

(b) Such Standard Clearing Member's proportionate share of the current Standard Guarantee Fund, derived from application of the Standard Contribution Formula.

3.2 Subject to paragraph 3.3 of this Guarantee Funds Procedure, unless otherwise communicated by the Clearing House, an IRS Clearing Member's Contribution is the higher of:

(a) the minimum Contribution of the equivalent of EUR 10 million at the Clearing House's discretion; or

(b) such IRS Clearing Member's proportionate share of the current IRS Guarantee Fund, derived from application of the IRS Contribution Formula.

3.3 Unless otherwise communicated by the Clearing House, where two IRS Clearing Members are Affiliated Clearing Members and one of such IRS Clearing Members only maintains an IRS House Account with the Clearing House, and the other IRS Clearing Member only maintains IRS Client Accounts with the Clearing House, each of those IRS Clearing Members' Contributions are the higher of:

(a) the minimum Contribution of the equivalent of EUR 5 million at the Clearing House's discretion; or

(b) 50% (fifty per cent) of the aggregate of both IRS Clearing Members' proportionate share of the current IRS Guarantee Fund, derived from application of the IRS Contribution Formula.

4 Re-calculation of Contributions

4.1 The Clearing House will re-calculate Standard Clearing Member's Contributions to the Standard Guarantee Fund on a calendar quarterly cycle, reflecting any adjustments to the size of the Fund in those calculations but may do so more frequently if it so determines.

4.2 The Clearing House will re-calculate IRS Clearing Member's Contributions to the IRS Guarantee Fund on a monthly cycle, reflecting any adjustments to the size of the IRS Guarantee Fund in those calculations but may do so more frequently if it so determines. In particular, the Clearing House will re-calculate IRS Clearing Members' Contributions to the IRS

Guarantee Fund more frequently than monthly in the event that the risk profile of the two largest IRS Clearing Members in terms of the stress-tested hypothetical losses in excess of Collateral on any given day exceeds the size of the current IRS Guarantee Fund.

4.3 In cases where the size of a Guarantee Fund is unchanged, changes to Contributions will be driven by the standard formula and interactions with the minimum requirement. Within a calendar quarter for Standard Clearing Members and a calendar month for IRS Clearing Members, the Clearing House will require an incremental Contribution if the market value of any Contribution less the relevant Clearing House haircut has dropped below the level of the required Contribution.

5 Notification and Payment of Contributions

5.1 No later than two (2) Business Days after the calculation or re-calculation of Contributions, the Clearing House will notify Clearing Members of the size of their new Contributions with the underlying detail.

5.2 Incremental contributions must be received by the Clearing House before 15:00 on the next Banking Day following the date of the notification made by the Clearing House. The Clearing House may debit any such Contribution from the Clearing Member's Bank Account at the next Settlement Cycle in accordance with Rule 4.2.2.

6 Form and valuation of Contributions

6.1 Contributions to a Guarantee Fund may be made in Eligible Cash or Eligible Securities. Assessments must be paid in Eligible Cash.

6.2 The market value of, and haircuts applicable to, Eligible Cash and Eligible Securities transferred to the Clearing House as Contributions to the Guarantee Funds and Assessments will be determined in the same way as the market value of Eligible Cash and Eligible Securities transferred to the Clearing House as Collateral in accordance with the Clearing and Settlement Procedure.

7 Assessments

7.1 In terms of the contingent coverage of the inadequacy of Collateral in the event of a Clearing Member default, the Guarantee Funds constitute the funded portions of the Clearing House's financial safeguards packages. The Assessments constitute additional amounts that the Clearing Members are contractually obligated to provide to the Clearing House in the event of the inadequacy of a Guarantee Fund on a Clearing Member default. Amounts callable as Assessments are unfunded elements of each financial safeguards package.

7.2 The maximum Standard Assessment commitment for each Standard Clearing Member is fixed at 550% (five hundred and fifty per cent) of its current Contribution to the Standard Guarantee Fund, subject to the capping and Cooling Off Period provisions detailed in Rule 8.7.

7.3 The IRS Assessment is calculated at least monthly. IRS Assessments are calculated based on a non-defaulting IRS Clearing Member's proportionate share of the theoretical third and fourth largest IRS Clearing Member losses produced by the Clearing House's Stress Test Methodology, subject to a minimum of 50% (fifty per cent) of the total IRS Guarantee Fund prior to the start of the IRS Cooling Off Period. In particular, the Clearing House may re-calculate IRS Clearing Members' IRS Assessments more frequently than monthly in the same circumstances as it can re-calculate IRS Clearing Members' Contributions.

7.4 The Clearing House will notify Clearing Members of their maximum Assessments no later than two (2) Business Days after the calculation or re-calculation of such Assessments.

8 Distributions, Payments and Charges linked to Eligible Assets

Distributions related to Eligible Securities will be made by the Clearing House and interest payments related to Eligible Cash will be paid by the Clearing House within five (5) Business Days of receipt of the Distributions by the Custodian at the end of each calendar quarter. The Clearing House will pass on the custody charges that it incurs in respect of Eligible Securities, detailing the charges to Clearing Members.

9 Miscellaneous

9.1 For the avoidance of doubt, Contributions held by the Clearing House will not under any circumstances be considered payment in full or in part for any Collateral or other amounts required by the Clearing House.

Delivery Procedures (Part A): Precious Metals

1 Introduction

1.1 These Precious Metal Delivery Procedures describe the delivery mechanics in respect of physically deliverable OTC Precious Metal Forward Contracts as set out in the Contract Module and shall apply to Clearing Members entering into OTC Precious Metal Forward Contracts with the Clearing House.

1.2 Delivery is effected by transferring unallocated Precious Metal between the Unallocated Precious Metals Accounts of Clearing Members and the Clearing House.

2 Operating Times

OTC Precious Metal Forward Contracts can be accepted for clearing on any Business Day.

3 Unallocated Precious Metals Accounts

3.1 Clearing Members wishing to participate in Precious Metal Forward Contracts shall open and maintain one or more Unallocated Precious Metals Accounts in respect of unallocated Precious Metal.

3.2 Clearing Members shall open and maintain Unallocated Precious Metals Accounts for the purposes of making delivery of unallocated Precious Metal to and taking delivery of unallocated Precious Metal from the relevant Unallocated Precious Metals Account of the Clearing House. Clearing Members shall provide the details of their Unallocated Precious Metals Accounts to the Clearing House before entering into OTC Precious Metal Forward Contracts with the Clearing House. Clearing Members shall ensure that the Clearing House holds accurate and up to date details of their Unallocated Precious Metals Accounts at all times.

3.3 The Clearing House shall open and maintain Unallocated Precious Metals Accounts for the purposes of making delivery of unallocated Precious Metal to and taking delivery of unallocated Precious Metal from the relevant Unallocated Precious Metals Account of the Clearing Member. The Clearing House shall provide details of its Unallocated Precious Metals Accounts to Clearing Members entering into OTC Precious Metal Forward Contracts with the Clearing House.

3.4 Clearing Members shall at all times comply with any applicable provisions of the LPMCL, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant bank in performing its obligations under OTC Precious Metal Forward Contract. Each Clearing Member shall obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.

3.5 Unallocated Precious Metals Accounts in respect of unallocated Precious Metal shall be denominated in fine troy ounces of Gold (to three decimal places) and unallocated Silver, Platinum and Palladium shall be denominated in troy ounces of Silver, Platinum and Palladium (to three decimal places), as applicable.

3.6 Each Clearing Member with a requirement to deliver shall ensure that all unallocated Precious Metal delivered is free and clear of all Encumbrances.

4 Delivery Process

4.1 Delivery under an OTC Precious Metal Forward Contract is effected by the transfer of unallocated Precious Metal in accordance with the terms of such Contract from the Unallocated Precious Metals Account of the seller to the relevant Unallocated Precious Metals Account of the Clearing House and from the relevant Unallocated Precious Metals Account of the Clearing House to the Unallocated Precious Metals Account of the buyer.

4.2 In order to effect the delivery of an OTC Precious Metal Forward Contract, the buyer shall pay cash to the Clearing House and send a transfer instruction to its Settlement Agent for Precious Metal in order to receive Precious Metal into its Unallocated Precious Metals Account. The Clearing House must receive such payment from the buyer before the Clearing House authorises the transfer of Precious Metal from its Unallocated Precious Metals Account to that of the buyer.

4.3 In order to effect the delivery of an OTC Precious Metal Forward Contract, the seller shall send a transfer instruction to its Settlement Agent for Precious Metals in order to allow unallocated Precious Metal to be transferred from its Unallocated Precious Metals Account to that of the Clearing House. The Clearing House must receive the Precious Metal in its Unallocated Precious Metals Account before the Clearing House authorises payment to the seller.

4.4 The detailed delivery timings are set out in paragraph 6 below and are subject to any amendment to the operational arrangements of the Settlement Agent for Precious Metals. The Clearing House shall notify Clearing Members of any such amendments where such amendments are known.

4.5 Offsetting positions for an Account are held open until delivery and all open positions are netted during the delivery process. For the avoidance of doubt, offsetting positions in the House Account shall not be netted against offsetting positions in a Client Account.

4.6 In accordance with the terms stipulated by the LPMCL, the Settlement Agent for Precious Metal acting for the Clearing House has reserved the right to reverse provisional or erroneous entries credited to the Unallocated Precious Metals Account of the Clearing House. In such circumstances, the Clearing House shall have the right to reverse or adjust any payments made

in respect of such entries and to give such directions as appropriate to the Clearing Members who are counterparties to the corresponding OTC Precious Metal Forward Contracts.

5 Third Parties

5.1 All payments relating to an OTC Precious Metal Forward Contract shall be made between the Clearing House and the Clearing Member. For the avoidance of doubt, the Clearing House will not make any payments to Clients. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to an OTC Precious Metal Forward Contract.

5.2 Unless otherwise instructed, the Clearing House delivers Precious Metal to, and receives the delivery of Precious Metal from, the Clearing Member's Unallocated Precious Metals Account for which the details have been provided to the Clearing House as described in paragraph 3.2 above. In respect of Precious Metals, the Clearing House may accept delivery from, and make delivery to, Unallocated Precious Metals Accounts of third parties notified by the Clearing Member to the Clearing House. Third party Unallocated Precious Metal Accounts may be used for any Client sub-account. For the avoidance of doubt, the Clearing Member is at all times responsible for the satisfactory performance of the OTC Precious Metal Forward Contract (including completion of its and its nominated third parties' delivery and payment obligations). The Clearing House has no obligations or liabilities under the Rules to any person other than a Clearing Member.

5.3 The Clearing Member shall notify the Clearing House of Unallocated Precious Metals Accounts relating to any Client Accounts no later than 16:00 hours (London time) on the Business Day prior to delivery.

6 Delivery Timings

6.1 The Clearing House shall provide a report detailing delivery obligations for each Unallocated Precious Metals Account of the Clearing Member as soon as reasonably practicable after 16:00 hours (London time) on the Business Day prior to the delivery day. The report shall describe net flows of cash and Precious Metal relating to physically deliverable Precious Metal Forward Contracts of the Clearing Member at the sub-account level.

6.2 The Clearing House shall send a SWIFT message to the Clearing Member in respect of cash and Precious Metal overnight prior to the delivery day.

6.3 For cash flows

(a) A Clearing Member with a net requirement to pay cash to the Clearing House shall pay such cash from its Bank Account to the bank account of the Clearing House as part of the RTH Settlement Cycle but before 09:00 hours (London time) on the delivery day.

(b) For Clearing Members with a net requirement to receive cash from the Clearing House:

(i) where such Clearing Member also has a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, upon receipt of confirmation that Precious Metal has been delivered to the Unallocated Precious Metals Account of the Clearing House; or

(ii) where such Clearing Member does not also have a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, no earlier than 10:00 hours (London time) on the delivery day.

(c) Provided that relevant Precious Metal deliveries have been made by the Clearing Member to the Clearing House, the Clearing House shall complete the payment of cash to the Bank Account of the Clearing Member, no later than 14:00 hours (London time) on the delivery day.

6.4 For Precious Metal flows

(a) A Clearing Member with a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House shall complete such delivery, or shall ensure that such delivery is completed from the nominated third party account, by 13:00 hours (London time) on the delivery day.

(b) For Clearing Members with a net requirement to receive Precious Metal from the Clearing House:

(i) where such Clearing Member also has a net requirement to pay cash to the Clearing House, the Clearing House shall deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, upon receipt of confirmation that cash has been paid to the bank account of the Clearing House; or

(ii) where such Clearing Member does not also have a net requirement to pay cash to the Clearing House, the Clearing House shall deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, no earlier than 09:00 hours (London time) on the delivery day.

(c) Provided that relevant cash payments have been made by the Clearing Member to the Clearing House, the Clearing House shall complete the delivery of Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, no later than 16:00 hours (London time) on the delivery day.

7 Early close-out prior to delivery day

7.1 Here the Clearing Member, or its Client, wishes to enter into a Transaction to close out a position prior to its delivery date, the Clearing Member shall enter into an opposing Transaction at the same transaction price as the original position. Where such a price does not represent a fair market value for the Transaction at the time of the offsetting Transaction, an additional cash payment will arise between the Clearing Member closing out and its trading counterparty to such Transaction.

To ensure the early close out of positions, the Clearing Member shall make a request to the Clearing House that such positions are closed out at the time the offsetting Transaction is submitted for clearing and shall provide the following information to the Clearing House:

(a) the Account and sub-account in which the Transactions have been placed (the offsetting Transaction must be in respect of the same Account and sub-account as the original position);

(b) the transaction identifiers for the two offsetting Transactions;

(c) the amount of Precious Metal to be closed out (subject to the maximum amount, being the lower of the two Transaction volumes); and

(d) the amount and direction of any additional cash payment being made between the counterparties entering into the offsetting Transactions.

7.2 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone to confirm instructions.

7.3 Where an additional cash payment is included, such payment may be made through the Clearing House settlement cycle.

7.4 If the cash payment is to be included in the Clearing House settlement cycle, the Clearing House shall confirm payment details with the counterparty Clearing Member. Positions will be closed out once the cash payment has been made in the settlement cycle.

7.5 If the cash payment is not to be included in the Clearing House settlement cycle, the Clearing Member shall provide verifiable information to the Clearing House demonstrating that such payment has been made between the counterparties. Positions will be closed out once the cash payment has been verified.

Delivery Procedures (Part B): UK Natural Gas

1 Introduction

1.1 These UK Natural Gas Delivery Procedures describe the delivery mechanics in respect of physically deliverable UK Natural Gas Contracts as set out in the Contract Module for OTC Commodities and the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into such UK Natural Gas Contracts with the Clearing House.

1.2 Delivery is effected by transferring rights to natural gas in the National Transmission System through the process of making Trade Nominations through the Gemini system operated by National Grid, as set out in the Uniform Network Code, between the accounts of Clearing Members (or their appointed Gas Transferor / Gas Transferee) and the Clearing House.

2 Interpretation

2.1 Capitalised terms used within these UK Natural Gas Delivery Procedures shall have the meaning as defined in the Rules and the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, except that:

(a) **Value Added Tax** or **VAT** means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere.

3 Operating Times

3.1 UK Natural Gas Contracts can be accepted for clearing on any Business Day. UK Natural Gas Contracts that are Exchange Contracts can be traded in accordance with the Exchange Rules of CME Europe.

4 Licensing and appointment of Gas Transferor / Gas Transferee

4.1 The Clearing House is a Restricted User within the terms of the Uniform Network Code.

4.2 The Clearing Member shall be responsible for fulfilling the delivery requirements of every Contract that it has entered into. If it is so able, a Clearing Member may directly make the required Trade Nominations in order to fulfil delivery requirements (acting as Gas Transferor/Gas Transferee). Where a Clearing Member chooses not to make Trade Nominations, it must appoint a third party to act as Gas Transferor/Gas Transferee on its behalf. The Clearing Member shall notify the Clearing House of the appointment of each relevant Gas Transferor/Gas Transferee through submission of a completed Gas Transferor/Gas Transferee Notification Form (signed by an authorised signatory of the Clearing Member and the Gas

Transferor / Gas Transferee) to the Clearing House. A Clearing Member may appoint a different Gas Transferor/Gas Transferee in respect of any Account or Standard Notional Sub-Account, provided that only a single Gas Transferor/Gas Transferee may be appointed to effect the submission of Trade Nominations in respect of any single Contract.

4.3 The Clearing Member shall ensure that:

(a) it notifies the Clearing House of third parties acting as Gas Transferee/Gas Transferor relating to any Account or Standard Notional Sub-Account by submission to the Clearing House of a completed Gas Transferor/Gas Transferee Notification Form to clearingsupport@cmeclearingeurope.com by no later than 18.00 hours (London time) on the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate); and

(b) the Gas Transferee/Gas Transferor acknowledges its appointment no later than 18:00 hours (London time) on the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate) in writing by email to clearingsupport@cmeclearingeurope.com.

4.4 The Clearing Member is responsible for the accuracy of information provided in any Gas Transferor/Gas Transferee Notification Form and for ensuring that the person signing the Gas Transferor/Gas Transferee Notification Form on behalf of the Clearing Member and the Gas Transferor / Gas Transferee is authorised to do so.

4.5 Each Clearing Member shall ensure that any Gas Transferor/Gas Transferee (whether a Clearing Member acting as Gas Transferor / Gas Transferee or any Gas Transferor / Gas Transferee appointed by the Clearing Member, as appropriate) has the right to make Trade Nominations under the Uniform Network Code and has access to the UK Link system and shall ensure that the Gas Transferor / Gas Transferee will at all times comply with the terms of any applicable licence or registration it holds, the Uniform Network Code, and any other Applicable Law. Each Clearing Member, or any Gas Transferor/Gas Transferee appointed by the Clearing Member, shall obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.

4.6 All payments relating to UK Natural Gas Contracts shall be made between the Clearing House and the Clearing Member. For the avoidance of doubt, the Clearing House will not make any payments to Clients or any person appointed as Gas Transferor / Gas Transferee by the Clearing Member. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to UK Natural Gas Contracts.

4.7 Unless a third party is appointed by a Clearing Member to act as Gas Transferor / Gas Transferee, the Clearing House will deliver natural gas under any Contract to, and will receive the delivery of natural gas from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Gas Transferee or Gas Transferor (as the case may be, and in each case as agent for the Clearing Member) notified by the Clearing Member to the Clearing House in accordance with these Delivery Procedures.

4.8 For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of UK Natural Gas Contracts including completion of its delivery, payment and other obligations under the Rules and also the delivery obligations of any Gas Transferor/Gas Transferee appointed by the Clearing Member.

5 Delivery Process

5.1 Delivery under UK Natural Gas Contracts is effected by the transfer of rights to natural gas in accordance with the terms of that Contract through the process of making Trade Nominations such that the seller of natural gas makes a Disposing Trade Nomination that corresponds to an Acquiring Trade Nomination made by the Clearing House, and the buyer of natural gas makes an Acquiring Trade Nomination that corresponds to a Disposing Trade Nomination made by the Clearing House. Trade Nominations must be made through the Gemini system (part of the UK Link system operated by National Grid).

5.2 Payment of cash in respect of the delivery of natural gas shall be made in accordance with paragraphs 6.7 to 6.7 below and does not occur concurrently with the delivery of natural gas.

5.3 The detailed delivery timings are set out in paragraph 6 below and are subject to any amendment to the operational arrangements of the Uniform Network Code. The Clearing House shall notify Clearing Members of any such amendments which may have a material impact on the operation of UK Natural Gas Contracts and where such amendments are known to the Clearing House.

5.4 Subject to paragraph 8 below, offsetting positions for any Account or Standard Notional Sub-Account are held open until delivery and all open positions are netted during the delivery process. For the avoidance of doubt, offsetting positions in the House Account shall not be netted against offsetting positions in any Client Account.

6 Delivery Timings

6.1 The Clearing Member must finalise the account assignment of Contracts and notify the Clearing House no later than 17:00 hours (London time) on the last trading day of the Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The Clearing Member must provide information on the Gas Transferor

/ Gas Transferee for each relevant account by 18:00 hours (London time) on the last trading day of the Contract to the Clearing House if it has not already done so.

6.2 The Clearing House will calculate the net delivery requirements for each account during its overnight system processing operations. The Clearing House shall provide a report to each Clearing Member detailing delivery obligations for each of the relevant Accounts and sub-accounts of that Clearing Member as soon as reasonably practicable after 08:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The report shall describe net flows of cash and natural gas relating to UK Natural Gas Contracts of the Clearing Member for each relevant Account and sub-account.

6.3 The Clearing Member shall acknowledge receipt and confirm delivery requirements by 12:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). Any perceived inaccuracies in the delivery requirements should be notified to the Clearing House by the Clearing Member by this time. Confirmation of the delivery requirements must be provided by the Clearing Member by email to clearingsupport@cmeclearingeurope.com.

6.4 The Clearing House may appoint a Gas Delivery Agent to facilitate its processing of delivery instructions. Where the Clearing House has appointed a Gas Delivery Agent, the gas delivery requirements shall be provided by the Clearing House to the Gas Delivery Agent by 15:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate).

6.5 The Gas Delivery Agent, on behalf of the Clearing House, shall submit delivery instructions to the Gemini System operated by the National Grid by 20:00 hours (London time) on the day prior to each Gas Flow Day in the delivery period.

6.6 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit delivery instructions to the Gemini system operated by the National Grid by 05:00 hours (London time) on each Gas Flow Day in the delivery period.

For cash flows

6.7 A Clearing Member with a net requirement to pay cash to the Clearing House shall pay such cash from its Bank Account to the bank account of the Clearing House by no later than 10:00 hours (London time) on the second Banking Day following the Gas Delivery Day. Payment to the Clearing House shall occur as part of the Settlement Cycle. A Clearing Member may fulfil its payment obligation at an earlier date.

6.8 For Clearing Members with a net requirement to receive cash from the Clearing House:

(a) the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member as part of the Settlement Cycle;

(b) where such Clearing Member also has a net requirement to deliver natural gas to the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, provided that the Clearing Member has fulfilled its natural gas delivery requirements; and

(c) payment to the Clearing Member shall occur by no later than 10:00 hours (London time) on the on the second Banking Day following the Gas Delivery Day.

6.9 In the case where a Clearing Member with a net requirement to receive cash and a net requirement to deliver natural gas has not fulfilled its natural gas delivery requirements, the Clearing House shall only pay an amount of cash that reflects, as determined by the Clearing House in its absolute discretion, the proportion of the natural gas delivery requirement that has been fulfilled.

For Natural Gas flows

6.10 A Clearing Member with a net requirement to deliver natural gas to the Clearing House shall ensure that Disposing Trade Nominations shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant UK Natural Gas Contract) by 05:00 hours (London time) on the Gas Flow Day.

6.11 A Clearing Member with a net requirement to receive natural gas from the Clearing House shall ensure that Acquiring Trade Nominations shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant UK Natural Gas Contract) by 05:00 hours (London time) on the Gas Flow Day.

6.12 The Clearing House shall ensure that its Disposing Trade Nominations and Acquiring Trade Nominations shall be shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period (as specified in the relevant UK Natural Gas Contract) by 20:00 hours (London time) on the day prior to each Gas Flow Day in the delivery period.

6.13 Where instructions are complete and matched by the National Grid, and are not reversed by National Grid, the deliveries in respect of each Gas Flow Day will be deemed complete by 05:00 hours (London time) on the day following the relevant Gas Flow Day and may not be reversed.

7 Failure to Deliver

7.1 Where the Clearing Member fails to fulfil its gas delivery requirements under any UK Natural Gas Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 Where the Clearing House suffers a Daily Imbalance within the National Transmission System as a result of:

(a) the failure of a Clearing Member to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations in accordance with Section C5 of the Transportation Principal Document within the Uniform Network Code; or

(b) any other actions or inactions of any Clearing Member (which shall include the actions or inactions of any Gas Transferor/Gas Transferee appointed by that Clearing Member),

the Clearing Member shall make a compensation payment to the Clearing House for the full amount of any Balancing Charges and any other associated costs imposed on the Clearing House by National Grid relating to the failure of that Clearing Member to deliver in accordance with the relevant UK Natural Gas Contract and these Delivery Procedures. For the avoidance of doubt, any compensation payment may represent a pro rata amount allocated to the Clearing Member by the Clearing House in respect of overall charges and costs imposed by National Grid on the Clearing House in respect of the Daily Imbalance of the Clearing House. This compensation payment shall be payable in accordance with paragraph 7.5 below and shall be made on or before the 20th calendar day of the calendar month following the contract month (as specified in the relevant UK Natural Gas Contract), or if such day is not a Banking Day, on the first preceding Banking Day.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House reserves the right to take such action as necessary to rectify any Daily Imbalance that it may suffer or to avoid the occurrence of a Daily Imbalance due to the failure of a Clearing Member to fulfil its gas delivery requirements, including without limitation:

(a) if the Clearing Member is a Delivery Seller, the Clearing House may acquire rights in natural gas from any person in order to reduce or extinguish any liability it may incur or suffer under the Uniform Network Code as a result of the Clearing Member's failure to perform its gas delivery requirements;

(b) if the Clearing Member is a Delivery Buyer, the Clearing House may sell rights in natural gas to any person in order to reduce or extinguish any liability it may incur or suffer under

the Uniform Network Code as a result of the Clearing Member's failure to perform its gas delivery requirements.

In addition to any compensation payment payable under paragraph 7.2 above, the Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, express or implied, incurred by the Clearing House in taking any such actions due to the failure of the Clearing Member to fulfil its obligations. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House's internal expenses in relation to the management or avoidance of a Daily Imbalance arising from the actions or inactions of the Clearing Member or its agent. Such additional costs will be allocated pro rata by the Clearing House between each Clearing Member which failed to fulfil its delivery obligations and which required the Clearing House to take the relevant actions.

7.4 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 7.2 and 7.3 above, the Clearing House may liaise with Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these UK Natural Gas Delivery Procedures or the CME Europe Contract Module for Energy, as appropriate. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed delivery.

7.5 In the circumstances set out in paragraph 7.2 and 7.3, the Clearing House shall invoice each Clearing Member and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

8 Early Close-out Prior to Delivery Day

8.1 Where the Clearing Member wishes to enter into a Transaction to close out an OTC UK Natural Gas Contract prior to its delivery date, the Clearing Member shall enter into an opposing Transaction at the same transaction price as the original Transaction. Where such a price does not represent a fair market value for the Transaction at the time of the new opposing Transaction, an additional cash payment obligation (representing the difference between the price of the opposing Transaction and the fair market value) will arise between the Clearing Member closing out and the other Clearing Member to such offsetting Transaction.

8.2 To ensure the early close out of an OTC UK Natural Gas Contract, the Clearing Member shall make a request to the Clearing House that, subject to paragraph 8.5 or 8.6 below, the OTC UK Natural Gas Contract is closed out at the time the offsetting Transaction is accepted for clearing and shall provide the following information to the Clearing House:

(a) the Account and sub-account in which the resulting Contract should be been placed (the offsetting Transaction must be in respect of the same Account and sub-account as the existing Contract);

(b) the transaction identifiers for the original Transaction and the offsetting Transaction;

(c) the number of UK Natural Gas Contracts to be closed out (subject to the maximum amount, being the lower of the two Transaction volumes); and

(d) the amount and direction of any additional cash payment being made between the Clearing Members entering into the offsetting Transactions.

8.3 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone on 020 3379 3100 to confirm instructions.

8.4 Where an additional cash payment is required, such payment shall be made through the Clearing House Settlement Cycle.

8.5 If the cash payment is to be included in the Clearing House Settlement Cycle, the Clearing House shall confirm payment details with both Clearing Members. The relevant OTC UK Natural Gas Contract will be closed out once the cash payment has been made within the Settlement Cycle.

8.6 If the cash payment is not to be included in the Clearing House Settlement Cycle, the Clearing Member shall provide verifiable information to the Clearing House demonstrating that such payment has been made to the other Clearing Member. The relevant OTC UK Natural Gas Contract will be closed out once the receipt of cash payment has been verified by the Clearing House.

9 Value Added Tax

9.1 Value Added Tax may be payable on natural gas deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be paid simultaneously with the payment of the Delivery Value.

9.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under a UK Natural Gas Contract as eligible for zero rating for the purposes of UK VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.

9.3 Physically deliverable UK Natural Gas Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of

natural gas under a physically deliverable UK Natural Gas Contract and any such other taxes or duties shall be borne by the Delivery Buyer.

9.4 As described in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate, Clearing Members must provide the Clearing House with their UK VAT registration details prior to entering into UK Natural Gas Contracts.

9.5 For tax accounting purposes, VAT is to be accounted for on gross transactions.

9.6 The Clearing House shall provide a VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Buyer. The Clearing House shall provide this VAT Invoice on a monthly basis.

9.7 Where amounts of VAT are or may be chargeable in respect of a supply under a UK Natural Gas Contract, Clearing Members are requested to enter into a VAT self-billing agreement with the Clearing House. For Clearing Members that have entered into such an agreement, the Clearing House shall provide a Self-Billing VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Seller. The Clearing House shall provide this Self-Billing VAT Invoice on a monthly basis.

9.8 For Clearing Members that have not entered into a VAT self-billing agreement, the Clearing Member is required to provide the Clearing House with a VAT Invoice specifying details for the gross transactions for which the Clearing Member was a Delivery Seller and the Clearing House was the Delivery Buyer. This VAT Invoice must be provided on a monthly basis.

Delivery Procedures (Part C): Dutch Natural Gas

1 Introduction

1.1 These Dutch Natural Gas Delivery Procedures describe the delivery mechanics in respect of physically deliverable Dutch Natural Gas Contracts as set out in the Contract Module for OTC Commodities and the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into Dutch Natural Gas Contracts with the Clearing House.

1.2 Delivery is effected by transferring rights to natural gas in the National Gas Transmission System through the process of making Trade Nominations through the Edig@s system operated by GTS, as set out in the GTS Rules, between the accounts of Clearing Members (or their appointed Gas Transferor / Gas Transferee) and the Clearing House.

2 Interpretation

2.1 Capitalised terms used within these Dutch Natural Gas Delivery Procedures shall have the meaning as defined in the Rules and the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy (as applicable).

(a) **Value Added Tax** or **VAT** means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere.

3 Operating Times

3.1 Dutch Natural Gas Contracts can be accepted for clearing on any Business Day. Dutch Natural Gas Contracts that are Exchange Contracts can be traded in accordance with the Exchange Rules of CME Europe.

4 Licensing and appointment of Gas Transferor / Gas Transferee

4.1 The Clearing House is licensed with GTS with Licence LA as a shipper of natural gas in the Netherlands within the terms of the GTS Rules.

4.2 Each Clearing Member must be licensed as a shipper within the terms of the GTS Rules.

4.3 The Clearing Member shall be responsible for fulfilling the delivery requirements of every Contract that it has entered into. If it is so able, a Clearing Member may directly make the required Trade Nominations in order to fulfil delivery requirements (acting as Gas Transferor/Gas Transferee). Where a Clearing Member chooses not to make Trade Nominations, it must appoint a third party to act as Gas Transferor/Gas Transferee on its behalf.

The Clearing Member shall notify the Clearing House of the appointment of each relevant Gas Transferor/Gas Transferee through submission of a completed Gas Transferor/Gas Transferee Notification Form (signed by an authorised signatory of the Clearing Member and the Gas Transferor / Gas Transferee) to the Clearing House. A Clearing Member may appoint a different Gas Transferor/Gas Transferee in respect of any Account or Standard Notional Sub-Account, provided that only a single Gas Transferor/Gas Transferee may be appointed to effect the submission of Trade Nominations in respect of any single Contract.

4.4 The Clearing Member shall ensure that:

(a) it notifies the Clearing House of third parties acting as Gas Transferee/Gas Transferor relating to any Account or Standard Notional Sub-Account by submission to the Clearing House of a completed Gas Transferor/Gas Transferee Notification Form to clearingsupport@cmeclearingeurope.com by no later than 18:00 hours (London time) (19.00 hours CET) on the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate); and

(b) the Gas Transferee/Gas Transferor acknowledges its appointment no later than 18:00 hours (London time) (19.00 hours CET) on the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate) in writing by email to clearingsupport@cmeclearingeurope.com.

4.5 The Clearing Member is responsible for the accuracy of information provided in any Gas Transferor/Gas Transferee Notification Form and for ensuring that the person signing the Gas Transferor/Gas Transferee Notification Form on behalf of the Clearing Member and the Gas Transferor / Gas Transferee is authorised to do so.

4.6 Each Clearing Member shall ensure that any Gas Transferor/Gas Transferee (whether a Clearing Member acting as Gas Transferor / Gas Transferee or any Gas Transferor / Gas Transferee appointed by the Clearing Member (as appropriate)) has the right to make Trade Nominations under the GTS Rules and has access to the Edig@s system. Each Clearing Member shall ensure that the Gas Transferor / Gas Transferee will at all times comply with the terms of any applicable licence or registration it holds, the GTS Rules and any other Applicable Law and that the Gas Transferor / Gas Transferee meets the conditions on electronic messaging and expertise and care set out in clause 3.2.0(b) and 3.2.0(c) of the Transportation Conditions Gas. Each Clearing Member, or any Gas Transferor/Gas Transferee appointed by the Clearing Member, shall obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.

4.7 All payments relating to Dutch Natural Gas Contracts shall be made between the Clearing House and the Clearing Member. For the avoidance of doubt, the Clearing House will not make any payments to Clients or any person appointed as Gas Transferor / Gas Transferee by the Clearing Member. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to Dutch Natural Gas Contracts.

4.8 Unless a third party is appointed by a Clearing Member to act as Gas Transferor / Gas Transferee, the Clearing House will deliver natural gas under any Contract to, and will receive the delivery of natural gas from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Gas Transferee or Gas Transferor (as the case may be, and in each case as agent for the Clearing Member) notified by the Clearing Member to the Clearing House in accordance with these Delivery Procedures.

4.9 For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of Dutch Natural Gas Contracts including completion of its delivery, payment and other obligations under the Rules and also the delivery obligations of any Gas Transferor/Gas Transferee appointed by the Clearing Member.

5 Delivery Process

5.1 Delivery under Dutch Natural Gas Contracts is effected by the transfer of rights to natural gas in accordance with the terms of that Contract through the process of making Trade Nominations such that the seller of natural gas makes a Disposing Trade Nomination that corresponds to an Acquiring Trade Nomination made by the Clearing House, and the buyer of natural gas makes an Acquiring Trade Nomination that corresponds to a Disposing Trade Nomination made by the Clearing House. Trade Nominations must be made through the Edig@s system operated by GTS.

5.2 Payment of cash in respect of the delivery of natural gas shall be made in accordance with paragraphs 6.7 to 6.7 below and does not occur concurrently with the delivery of natural gas.

5.3 The detailed delivery timings are set out in paragraph 6 below and are subject to any amendment to the operational arrangements of the GTS Rules. The Clearing House shall notify Clearing Members of any such amendments which may have a material impact on the operation of Dutch Natural Gas Contracts and where such amendments are known to the Clearing House.

5.4 Subject to paragraph 8 below, offsetting positions for any Account or Standard Notional Sub-Account are held open until delivery and all open positions are netted during the delivery process. For the avoidance of doubt, offsetting positions in the House Account shall not be netted against offsetting positions in any Client Account.

6 Delivery Timings

6.1 The Clearing Member must finalise the account assignment of Contracts and notify the Clearing House no later than 17:00 hours (London time) (18:00 hours CET) on the last trading day of the Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The Clearing Member must provide information on the Gas Transferor / Gas Transferee for each relevant account by 18:00 hours (London time) (19:00 hours CET) on the last trading day of the Contract to the Clearing House if not already done so.

6.2 The Clearing House will calculate the net delivery requirements for each account during its overnight system processing operations. The Clearing House shall provide a report to each Clearing Member detailing delivery obligations for each of the relevant Accounts and sub-accounts of that Clearing Member as soon as reasonably practicable after 08:00 hours (London time) (09:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The report shall describe net flows of cash and natural gas relating to Dutch Natural Gas Contracts of the Clearing Member for each relevant Account and sub-account.

6.3 The Clearing Member shall acknowledge receipt and confirm delivery requirements by 12:00 hours (London time) (13:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). Any perceived inaccuracies in the delivery requirements should be notified to the Clearing House by the Clearing Member by this time. Confirmation of the delivery requirements must be provided by the Clearing Member by email to clearingsupport@cmeclearingeurope.com.

6.4 Where the Clearing House has appointed a Gas Delivery Agent, the gas delivery requirements forming the programme responsibility for the Clearing House under the GTS Rules shall be provided by the Gas Delivery Agent to GTS by no later than 13:00 hours (London time) (14:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate).

6.5 The Gas Delivery Agent, on behalf of the Clearing House, shall aim to submit Trade Nominations to the Edig@s System operated by GTS by 18:00 hours (London time) (19:00 hours CET) on the day prior to each Gas Delivery Day in the delivery period.

6.6 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit the gas delivery requirements forming the programme responsibility for the Clearing Member under the GTS Rules to GTS by no later than 13:00 hours (London time) (14:00 hours CET) on the

day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities).

6.7 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit Trade Nominations to the Edig@s system operated by GTS by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day in the delivery period. All Trade Nominations in respect of deliveries of natural gas must be matched by no later than 2 hours prior to the start of the Gas Delivery Day.

For cash flows

6.8 A Clearing Member with a net requirement to pay cash to the Clearing House shall pay such cash from its Bank Account to the bank account of the Clearing House by no later than 10:00 hours (London time) (11:00 hours CET) on the second Banking Day following the Gas Delivery Day. Payment to the Clearing House shall occur as part of the Settlement Cycle. A Clearing Member may fulfil its payment obligation at an earlier date.

6.9 For Clearing Members with a net requirement to receive cash from the Clearing House:

(a) the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member as part of the Settlement Cycle;

(b) where such Clearing Member also has a net requirement to deliver natural gas to the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, provided that the Clearing Member has fulfilled its natural gas delivery requirements; and

(c) payment to the Clearing Member shall occur by no later than 10:00 hours (London time) (11:00 hours CET) on the second Banking Day following the Gas Delivery Day.

6.10 In the case where a Clearing Member with a net requirement to receive cash and a net requirement to deliver natural gas has not fulfilled its natural gas delivery requirements, the Clearing House shall only pay an amount of cash that reflects, as determined by the Clearing House in its absolute discretion, the proportion of the natural gas delivery requirement that has been fulfilled.

For Natural Gas flows

6.11 A Clearing Member with a net requirement to deliver natural gas to the Clearing House shall ensure that Disposing Trade Nominations shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant Dutch Natural Gas Contract) by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day.

6.12 A Clearing Member with a net requirement to receive natural gas from the Clearing House shall ensure that Acquiring Trade Nominations shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant Dutch Natural Gas Contract) by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day.

6.13 The Clearing House shall ensure that its Disposing Trade Nominations and Acquiring Trade Nominations shall be shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Hour in the contract month (as specified in the relevant Dutch Natural Gas Contract) by no later than 30 minutes prior to the Gas Delivery Hour at the very latest.

6.14 Where delivery instructions and Trade Nominations are complete and matched by GTS and a confirmation is provided by GTS to the relevant parties under the GTS Rules, the relevant deliveries will be deemed complete and may not be reversed.

7 Failure to Deliver

7.1 Where the Clearing Member fails to fulfil its gas delivery requirements under any Dutch Natural Gas Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 Where the Clearing House suffers an imbalance in any Gas Delivery Hour or Gas Delivery Day within the National Gas Transmission System as a result of:

(a) the failure of a Clearing Member to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations in accordance with the GTS Rules; or

(b) any other actions or inactions of any Clearing Member (which shall include the actions or inactions of any Gas Transferor/Gas Transferee appointed by that Clearing Member),

the Clearing Member shall make a compensation payment to the Clearing House for the full amount of any balancing charges and any other associated costs imposed on the Clearing House by GTS relating to the failure of that Clearing Member to deliver in accordance with the relevant Dutch Natural Gas Contract and these Delivery Procedures. For the avoidance of doubt, any compensation payment may represent a pro rata amount allocated to the Clearing Member by the Clearing House in respect of overall charges and costs imposed by GTS on the Clearing House in respect of the imbalance of the Clearing House. This compensation payment shall be payable in accordance with paragraph 7.5 below and shall be made on or before the 14th calendar day of the calendar month following the contract month (as specified in the

relevant Dutch Natural Gas Contract), or if such day is not a Banking Day, on the first preceding Banking Day.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House reserves the right to take such action as necessary to rectify any imbalance that it may suffer or to avoid the occurrence of an imbalance due to the failure of a Clearing Member to fulfil its gas delivery requirements in relation to any Gas Delivery Hour or Gas Delivery Day, including without limitation:

(a) if the Clearing Member is a Delivery Seller, the Clearing House may acquire rights in natural gas from any person in order to reduce or extinguish any liability it may incur or suffer under the GTS Rules as a result of the Clearing Member's failure to perform its gas delivery requirements;

(b) if the Clearing Member is a Delivery Buyer, the Clearing House may sell rights in natural gas to any person in order to reduce or extinguish any liability it may incur or suffer under the GTS Rules as a result of the Clearing Member's failure to perform its gas delivery requirements.

In addition to any compensation payment payable under paragraph 7.2 above, the Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, express or implied, incurred by the Clearing House in taking any such actions due to the failure of the Clearing Member to fulfil its obligations. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House's internal expenses in relation to the management or avoidance of a Daily Imbalance arising from the actions or inactions of the Clearing Member or its agent. Such additional costs will be allocated pro rata by the Clearing House between each Clearing Member which failed to fulfil its delivery obligations and which required the Clearing House to take the relevant actions.

7.4 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 7.2 and 7.3 above, the Clearing House may liaise with Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these Dutch Natural Gas Delivery Procedures. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed delivery.

7.5 In the circumstances set out in paragraph 7.2 and 7.3, the Clearing House shall invoice each Clearing Member and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

8 Early Close-out Prior to Delivery Day

8.1 Where the Clearing Member wishes to enter into a Transaction to close out an OTC Dutch Natural Gas Contract prior to its delivery date, the Clearing Member shall enter into an opposing Transaction, at the same transaction price as the original Transaction. Where such a price does not represent a fair market value for the Transaction at the time of the new opposing Transaction, an additional cash payment obligation (representing the difference between the price of the opposing Transaction and the fair market value) will arise between the Clearing Member closing out and the other Clearing Member to such offsetting Transaction.

8.2 To ensure the early close out of an OTC Dutch Natural Gas Contract, the Clearing Member shall make a request to the Clearing House that, subject to paragraph 8.5 or 8.6 below, the OTC Dutch Natural Gas Contract is closed out at the time the offsetting Transaction is accepted for clearing and shall provide the following information to the Clearing House:

(a) the Account and sub-account in which the resulting Contract should be placed (the offsetting Transaction must be in respect of the same Account and sub-account as the existing Contract);

(b) the transaction identifiers for the original Transaction and the offsetting Transaction;

(c) the number of Dutch Natural Gas Contracts to be closed out (subject to the maximum amount, being the lower of the two Transaction volumes); and

(d) the amount and direction of any additional cash payment being made between the Clearing Members entering into the offsetting Transactions.

8.3 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone on 020 3379 3100 to confirm instructions.

8.4 Where an additional cash payment is required, such payment shall be made through the Clearing House Settlement Cycle.

8.5 If the cash payment is to be included in the Clearing House Settlement Cycle, the Clearing House shall confirm payment details with both Clearing Members. The relevant OTC Dutch Natural Gas Contract will be closed out once the cash payment has been made within the Settlement Cycle.

8.6 If the cash payment is not to be included in the Clearing House Settlement Cycle, the Clearing Member shall provide verifiable information to the Clearing House demonstrating that such payment has been made to the other Clearing Member. The relevant OTC Dutch Natural Gas

Contract will be closed out once the receipt of cash payment has been verified by the Clearing House.

9 Value Added Tax

9.1 Value Added Tax may be payable on natural gas deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be paid simultaneously with the payment of the Delivery Value.

9.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under a Dutch Natural Gas Contract as eligible for zero rating for the purposes of UK VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.

9.3 Physically deliverable Dutch Natural Gas Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of natural gas under a physically deliverable Dutch Natural Gas Contract and any such other taxes or duties shall be borne by the Delivery Buyer.

9.4 As described in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate, Clearing Members must provide the Clearing House with their UK VAT registration details prior to entering into Dutch Natural Gas Contracts.

9.5 For tax accounting purposes, VAT is to be accounted for on gross transactions.

9.6 The Clearing House shall provide a VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Buyer. The Clearing House shall provide this VAT Invoice on a monthly basis.

9.7 Where amounts of VAT are or may be chargeable in respect of a supply under a Dutch Natural Gas Contract, Clearing Members are requested to enter into a VAT self-billing agreement with the Clearing House. For Clearing Members that have entered into such an agreement, the Clearing House shall provide a Self-Billing VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Seller. The Clearing House shall provide this Self-Billing VAT Invoice on a monthly basis.

9.8 For Clearing Members that have not entered into a VAT self-billing agreement, the Clearing Member is required to provide the Clearing House with a VAT Invoice specifying details for the gross transactions for which the Clearing Member was a Delivery Seller and the Clearing House was the Delivery Buyer. This VAT Invoice must be provided on a monthly basis.

Delivery Procedures (Part D): FX Delivery Procedures

1 Introduction

1.1 This FX Delivery Procedure sets out the delivery process in respect of currencies.

1.2 For the purposes of this FX Delivery Procedure references to times are to London time unless otherwise stated.

2 Definitions

2.1 Capitalised terms which are not defined in the Rules, have the meaning as set out below:

CLS means Continuous Linked Settlement;

CLS Eligible means a Product identified as eligible for CLS Settlement;

CLS Instruction means an instruction given by the Clearing Member or a CLS member through which the Clearing Member is accessing a CLS Account in accordance with the rules of the CLS System;

CLS Settlement means physical delivery through the CLS System;

Daily Settlement Price means the price at which the Exchange establishes the value of a Contract which has not yet expired or settled at the close of a Trading Session, as described in the Exchange's Trading Procedure;

Delivery Instructions has the meaning given in paragraph 5.19 of this FX Delivery Procedure;

Deliveries System means the system provided by the Clearing House for use as set out in this FX Delivery Procedure and made available on the Website;

Final Settlement Price means (i) in relation to an Exchange Contract the price established by the Exchange in respect of a Contract for the purposes of physical delivery or cash settlement as the case may be and (ii) in relation to Contracts which are not Exchange Contracts, the price established by the method set out in the Contract Specification for the purposes of physical delivery or cash settlement as the case may be;

Non-CLS Delivery Commitment means the commitment given by a Clearing Member to settle a Contract through direct settlement of currency via the Clearing House, which commitment shall be in a form and manner specified by the Clearing House, and which shall identify the agent bank(s), the number of Contracts and the component delivery values;

PCS means a position change sheet which identifies gross and net positions of a Clearing Member relating to Exchange Traded Contracts; and

Trading Session has the meaning given in the Exchange Rules.

3 Performance of Contracts

3.1 Open positions outstanding at the close of trading on the last trading day shall be performed either by physical delivery or cash settlement, as specified within the relevant Contract Specification. Physical delivery shall be performed either through the CLS System or through direct settlement of currency via the Clearing House, as specified within the relevant Contract Specification, or, if not so specified, at the election of the Clearing Member.

3.2 In the case of physical delivery, the day on which delivery shall be made shall be specified within the relevant Contract Specification.

3.3 The price at which physical delivery or cash settlement is made will be the Final Settlement Price.

3.4 Delivery, either by physical delivery or cash settlement, shall comply with this FX Delivery Procedure and the Clearing House Rules.

4 Timelines for deliveries

4.1 Currency deliveries generally follow a three day settlement process occurring on the third Wednesday of the Contract Month unless such day is not a Business Day. In the event that such day is not a Business Day, delivery will be made on the next Business Day.

4.2 Clearing Members are advised to update currency delivery banking instructions at least one week prior to the last trading day of the relevant Contract to ensure proper settlement of Contracts. In addition, Clearing Members must add the IBAN number to all necessary account numbers. Failure to add the IBAN number may result in a delay in payment and/or additional bank charges.

4.3 Delivery timeline

<u>Day one - Last Trading Day (except Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts)</u>

The last trading day is normally the second Business Day prior to the delivery day. Day one is also the day the Clearing Member should enter its Non-CLS Delivery Commitments into the Deliveries System and send CLS Instructions.

16:00 Last trade date/time for contract with final settlement prices made available in the Deliveries System and as a Notice shortly afterwards (approx. 20 mins).

Variation Requirement for final trading day delivered from, or to, the Clearing Member to, or from, the Clearing House to settle the last day's movement in price.

17:00 Delivery Commitments must be submitted by Clearing Members into the Deliveries System.

1. Contracts should not be netted across Accounts.

2. Concurrent long and short positions within an Account should not be offset.

3. Clearing Members must verify all payment instructions.

17:15 PCS submissions should be made by 17:15 to ensure "as of" trade and/or transfers are including the Clearing Member's positions. PCS spreads should not be submitted for the expired futures "on" or "after" the last day of trading.

Day two - Last Trading Day for Canadian Dollar, Turkish Lira, Euro/Turkish Lira and Orders to Pay/Wire Transfer Due

Clearing Members should finalise all prior day Non-CLS Delivery Commitments, enter OTHER Non-CLS Delivery Commitments and finish sending CLS Instructions. In addition, all wire transfers where settlement date -1 payment has been specified in Appendix 2 are due in the relevant account at the relevant Agent Bank.

06:30 Final Settlement Prices for Turkish Lira and Euro/Turkish Lira Contracts are made available in the Deliveries System and as a Notice.

Any changes to Delivery Commitments entered, will need to be approved by the Clearing House before 19:00 to be accepted into the Deliveries System.

16:30 Final Settlement Price for Canadian Dollar Contracts made available in the Deliveries System and as a Notice.

17:00 Delivery Commitments for Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts must be submitted by the Clearing Member into the Deliveries System.

1. Contracts must not be netted across Accounts.

2. Concurrent long and short positions within an Account should not be offset.

3. Clearing Members must verify all payment instructions.

Wire transfers are due in the relevant account at the relevant Agent Bank. (See Appendix 2 for settlement date -1 payment deadlines.)

Day three - settlement day

This is normally the settlement day of all currencies. Deliveries occurring through the CLS System should be made in accordance with the deadlines and compensation conventions established by the CLS Bank. On this day for non-CLS settled Contracts, Clearing Members should send payments to the Agent Bank by 10:00 local time of the currency's country of origin.

In the event that this day is not a Business Day, delivery will be made on the next Business Day.

(a) 10:00 currency payments are due into the relevant account at the Agent Bank by 10:00 local time in the currency country of origin. The Clearing House will provide a complete list of the relevant accounts at each Agent Bank upon request from the Clearing Member.

(b) A delivery payment due from the Clearing House will only be made upon confirmation of the opposing currency payment having been received into the relevant account at the relevant Agent Bank.

5 CLS Delivery Arrangements

The CLS System

5.1 The CLS System is a real time global settlement process which allows for both sides of a currency Contract to be settled simultaneously on a payment versus payment basis.

5.2 In the event that for any reason a CLS settlement facility or the CLS System is unavailable a Non-CLS physical delivery must be effected in accordance with section 6 (Non-CLS Physical Delivery Arrangements) of this FX Delivery Procedure at the Clearing House's direction. Where this is the case the Clearing Members must inform the Clearing House as soon as practically possible. It should be noted that for Non-CLS settlement the Clearing House must receive its confirmation from its Agent Bank that funds due to the Clearing House have been received before the payment of the corresponding currency is made.

5.3 A Clearing Member which intends to use the CLS System, shall ensure it has a CLS Account to allow the Clearing Member to effect CLS Settlement. Clearing Members should note that this procedure can take a number of weeks.

5.4 The Final Settlement Price must be used when entering CLS Instructions.

5.5 Each Clearing Member that enters into FX Contracts that are CLS Eligible and which it intends to settle shall, at least twice per calendar year, confirm to the Clearing House its net capacity to deliver and receive each currency through the CLS System in respect of which it is party to an FX Contract or in respect of which it reasonably believes it might be party within the six months subsequent to the date of confirmation. A Clearing Member may request changes to its thresholds more frequently, however, increases to threshold levels will only be actionable for delivery cycle following the front month delivery contracts. The capacities provided may be based on the Clearing Member's average net positions in each relevant currency over the preceding twelve months or such other measurements as the Clearing Member considers to be a reasonable indicator of its capacity to deliver and comfortably within a Clearing Member's ability to absorb a same-day, unexpected liquidity shortfall in delivery of that currency in the event of an unexpected delivery failure in the following six months. Unless otherwise agreed, such confirmation shall be provided and signed by a member of the Clearing Member's treasury function who is authorised to provide such confirmation and shall set out any assumptions that the Clearing Member has made in determining such capacities. Each such Clearing Member must be capable of providing evidence to support the capacities set out in its confirmation, which may (where appropriate) include information from CLS Bank or the CLS member it uses to settle FX Contracts, and shall promptly provide such evidence to the Clearing House on request.

5.6 In the event a Clearing Member enters into an FX Contract [that is CLS Eligible] and which it intends to settle or is party to an FX Contract that it did not intend to settle but in respect of which its intention changes, in either case in respect of a Contract for which it has not provided its liquidity capacity within the preceding six months, the Clearing Member shall promptly do so in accordance with paragraph 5.5.

5.7 The Clearing Member shall promptly notify the Clearing House in the event of a reduction in the capacity to deliver or receive any currency as set out in the confirmation most recently provided to the Clearing House. The Clearing Member shall notify the Clearing House in the event of a material increase in the capacity to deliver or receive any currency as set out in the confirmation most recently provided to the Clearing House.

5.8 The Clearing House shall set thresholds on the amounts of each relevant currency on a gross basis which a Clearing Member may deliver or receive through the CLS System in relation to FX Contracts, which may be based on the information provided pursuant to paragraphs 5.5 to 5.7. The Clearing House may update the applicable thresholds at any time, including in response to a confirmation or notification received pursuant to paragraphs 5.5 to 5.7. Additionally, the Clearing House shall determine overall pay-in settlement thresholds in relation to FX Contracts which are based on the aggregate capacity of Clearing Members to receive such FX Contract as set out in the Clearing House's concentration risk policy.

CLS deliveries

5.9 Where a Contract Specification specifies that it is CLS Eligible delivery shall be by transfer between the CLS Accounts of two Clearing Members (including where the Clearing Members CLS Accounts are held with the same CLS member) as directed by the Clearing House in accordance with this FX Delivery Procedure and, subject to paragraph 5.19 below, follow the requirements set out in this section 5.

5.10 No later than 17:00 on the 5th Business Day prior to expiry of the Contract, each Clearing Member must tender to the Clearing House a notice of intention to settle an Exchange Contract through the CLS System, together with confirmation of which CLS member it intends to use for such delivery and any overall limit on its ability to settle foreign exchange with that CLS member. If a Clearing Member does not provide the Clearing House with such information, the Clearing House shall be entitled to require the Clearing Member to reduce the value of any or all of its FX Contracts. For each of the remaining days until expiry, the Clearing Member shall update its settlement intentions, where relevant.

5.11 Following receipt of the notice, and for the purposes of providing transparency ahead of the delivery cycle, the Clearing House shall perform an indicative assignment process based on the closing prices on the Exchange on each of the seven days preceding the expiry day. On each such day, the Clearing House shall provide each Clearing Member, which it believes will have a delivery obligation, with an indication of the amount of the relevant currency for an individual settlement transaction which it may be required to settle with each other Clearing Member based on the assignment results and the relevant positions at that point in time. The Clearing House shall only be required to share such information with the Clearing Member where an individual settlement transaction exceeds the equivalent of US$100 (one hundred) million or other amount as determined in consultation with the Clearing Members from time to time. The counterparties to such indicative settlement transactions will be shared on an anonymous basis only.

5.12 From the Thursday evening preceding expiry of the Contract, the Clearing House shall provide each Clearing Member which it believes will have a delivery obligation with an indication of the aggregate amount of the relevant currency which it may be required to settle with each other Clearing Member based on the assignment algorithm and the relevant positions at that point in time. Such aggregate amount will be based on the closing positions on the Exchange on such Thursday evening but shall be converted into and expressed in US$. The Clearing House shall only be required to share information of such aggregate exposure with the Clearing Member where the total amount of currency to be delivered to that counterparty exceeds the equivalent of US$100 (one hundred) million. The process set out in this paragraph 5.12 shall be repeated based on the closing positions on the Exchange on the Friday evening preceding expiry of the Contract.

5.13 From the Thursday evening preceding expiry of the Contract, the Clearing House shall provide each Clearing Member which it believes will have a delivery obligation with notification of any currencies in respect of which the applicable delivery or receipt threshold will be exceeded if the Clearing Member proceeds to settlement without taking mitigating measures.

5.14 No later than 17:00 on the second Business Day preceding the intended day of delivery:

(a) in respect of each Clearing Member whose total obligation to deliver a particular currency exceeds an applicable threshold, the Clearing House may increase the Margin Requirement relating to the relevant FX Contracts and the Clearing Member shall satisfy such increased Margin Requirement in that currency in accordance with the Clearing House's concentration risk policy.

(b) in respect of each Clearing Member whose total obligation to receive a particular currency exceeds an applicable threshold, the Clearing House may increase the Margin Requirement relating to the relevant FX Contracts in accordance with the Clearing House's concentration risk policy.

5.15 In determining the amount of any increased Margin Requirement pursuant to paragraph 5.14, the Clearing House may take into account any evidence the Clearing Member can provide of offsetting obligations arising from cleared transactions to deliver or receive the relevant currency through the CLS System which are effective to reduce the Clearing Member's exposure in the CLS System and such offsets shall be with the same counterparty, currency and settlement date in the CLS system.

5.16 In relation to paragraph 5.14(a), if the Clearing Member provides Margin Requirement in a currency other than that specified, the Clearing House shall, at the Clearing Member's expense, be entitled to convert such currency into the currency specified at such rate prevailing at the time of the calculation as it shall reasonably select.

5.17 In relation to paragraph 5.14(b), if the Clearing Member exceeds an applicable threshold, the Clearing Member shall provide an explanation to the Clearing House in writing, including an assessment of the adequacy of the thresholds. This assessment will be reviewed by the Clearing House. If a Clearing Member exceeds an applicable threshold for the second time, the Clearing Member shall provide an explanation to the Clearing House in writing, including an updated assessment of the adequacy of the thresholds and an explanation for the repeated threshold breach. If the applicable thresholds are breached by the Clearing Member, such breach may result in fines as established by the Clearing House. At the same time, the Clearing House will request a meeting with the Clearing Member in which the Clearing Member is requested to present on the threshold setting process, the set thresholds, and the repeated breaches. If the applicable thresholds are breached by the Clearing Member three times, the Clearing Member is requested to present such breach to the FX Settlements Working Group.

Senior management of the Clearing Member is also requested to present to the Clearing House on the threshold setting process, the set thresholds, and the repeated breaches. In addition, such breach may result in fines as established by the Clearing House.

5.18 No later than 17:00 on the second Business Day preceding the intended day of delivery, each Clearing Member must tender to the Clearing House a further notice of intention to settle an Exchange Contract through the CLS System. Clearing Members must provide a notice of intention in relation to each Exchange Contract that is due for delivery.

5.19 Following receipt of the notice, the Clearing House shall provide each Clearing Member which has a delivery obligation for a particular delivery date with delivery instructions specifying the amount of the relevant currency, and the identity and CLS Account details of the other Clearing Member to which the Clearing Member will make the delivery (the **Delivery Instructions**). The Clearing House will provide separate Delivery Instructions for each Contract in respect of which a Clearing Member has a delivery obligation on a delivery date.

5.20 Within one (1) hour of receipt of the Delivery Instructions from the Clearing House, a Clearing Member may agree with the Clearing Member identified in the Delivery Instructions, that they will instead use the Non-CLS delivery process as set out in section 6 of this FX Delivery Procedure. Clearing Members may only agree to use the delivery process set out in section 6 if the value of the delivery is less than USD$25 (twenty five) million. If the Clearing Members agree to do this, they must inform the Clearing House as soon as possible and the Clearing House will notify each Clearing Member of the cancellation of the CLS Delivery Instructions. In this case, the Clearing Members and the Clearing House will instead settle in accordance with section 6 of this FX Delivery Procedure.

5.21 Subject to paragraph 5.11, on the Business Day preceding the intended day of delivery, each Clearing Member must confirm to the Clearing House by 19:00 that the relevant CLS Instruction has been made. The details included in the CLS Instructions must match the Delivery Instructions provided by the Clearing House pursuant to paragraph 5.19 of this FX Delivery Procedure and must ensure that delivery will be made on the delivery date required by the Contract Specification. The Clearing Member may not amend the Delivery Instructions without the prior written consent of the Clearing House. Once the Clearing Member has confirmed the CLS Instruction has been made it may not amend or cancel the CLS Instruction without the prior written consent of the Clearing House. Consent may be given by the Clearing House to Clearing Members to enter into an EFRP Transaction in accordance with the Exchange Rules.

5.22 The Clearing Member must also confirm to the Clearing House by 19:00 that the CLS Instruction has been matched in the CLS System with the corresponding CLS Instruction of the other Clearing Member identified in the Delivery Instructions.

5.23 The Clearing Member must confirm to the Clearing House receipt of the delivery of the relevant currency for each Contract.

5.24 If on the delivery day any CLS Instruction has failed to settle each Clearing Member must notify the Clearing House as soon as possible. Such notifications shall be in the form of a Notice of Settlement Failure set out as Appendix 1 to this FX Delivery Procedure. The Notice of Settlement Failure should be emailed to the following email address: ClearingSupport@cmeclearingeurope.com. Clearing Members must make such notification by 15:00 London time.

6 Non-CLS Physical Delivery Arrangements

6.1 Where a Contract Specification specifies that delivery shall be performed through direct settlement of currency via the Clearing House or where two Clearing Members have, in accordance with paragraph 5.20 of this FX Delivery Procedure elected to make delivery in accordance with this section 6 or where the CLS System is unavailable and the Clearing House has directed the Clearing Members to make delivery in accordance with this section 6 of the FX Delivery Procedure , delivery shall follow the requirements set out in this section 6.

6.2 The Clearing House shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

6.3 The Clearing House shall designate an Agent Bank or Banks in each country into which currency shall be delivered, and shall make the relevant details available to the Clearing Member upon request. Agent Banks shall notify the Clearing House when currency funds have been received.

6.4 The amount of a currency to be delivered shall equal either (i) the Contract Size in respect of Contracts for which the Contract Size is denominated in that currency, or (ii) the Contract Size converted to currency in respect of Contracts implied by a final mark to market to the Final Settlement Price in the minimum price fluctuation currency.

6.5 The Clearing House shall,

after receipt of notification that currency funds have been received from the buying Clearing Member, and in accordance with CMECE instruction deadlines set out in Appendix 2 transfer funds denominated in the corresponding currency, as defined in the Contract Specification, previously deposited by the selling Clearing Member to the account of the buying Clearing Member. At such point, delivery in respect of the buyer is complete.

6.6 The Clearing House shall, after receipt of notification that currency funds have been received from the selling Clearing Member, and in accordance with CMECE instruction deadlines set out in Appendix 2 transfer funds denominated in the corresponding currency, as defined in the

Contract Specification, previously deposited by the buying Clearing Member to the account of the selling Clearing Member. At such point, delivery in respect of the seller is complete.

Seller's Delivery Requirements

6.7 In order for a selling Clearing Member to make non-CLS physical delivery arrangements the steps set out below must be followed:

(a) A Clearing Member delivering currency to cover a net short position shall, no later than 17:00 on the last day of trading, or on the first day preceding the delivery date, as specified in the relevant Contract Specification, present to the Clearing House a seller's Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the bank(s) used by the seller and the number of Contracts and the component delivery values.

(b) The Clearing Member shall arrange with their bank to transfer currency to the Agent Bank of the Clearing House, as directed by the Clearing House, such that the currency is received no later than the payment deadlines set out in Appendix 2.

(c) If, in relation to an Exchange Contract, the seller's Non-CLS Delivery Commitment is received later than 17:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, consistent with section 9 of this FX Delivery Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with section 9 of this FX Delivery Procedure.

(d) From time to time, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the selling Clearing Member's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to make delivery. For the avoidance of doubt, a Seller's non-compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.

(e) The Clearing Member representing the seller shall have made all provisions necessary to make delivery within the relevant country.

6.8 Selling Clearing Members must deliver their currency from a bank in the country of origin of the relevant currency or a bank with a correspondent bank in that country. The delivering bank must

be a commercial bank. At least one day prior to settlement the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.9 Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

6.10 It is the responsibility of the selling Clearing Member to instruct its bank to transfer the full value of the delivery (i.e. not to deduct charges) of currency to the Agent Bank in accordance with the payment deadlines set out in Appendix 2.

6.11 The following information must be contained in the instructions sent by the selling Clearing Member's bank to the Agent Bank:

(a) the currency amount (not the number of Contracts);

(b) the name of the Clearing Member; and

(c) if relevant, the name of the Client.

This information is critical to ensure that payments are received in a timely manner and are applied correctly. Failure to have the currency delivery confirmed in the relevant account at the Agent Bank by the deadline may result in a failed delivery, interest and/or overdraft charges and a delay in releasing the opposing currency to the selling Clearing Member. Clearing Members who fail to make deliveries by the relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Clearing House Rules and/or the Exchange Rules.

Buyer's Delivery Requirements

6.12 In order for a buying Clearing Member to make a non-CLS physical delivery arrangements the steps set out below must be followed:

(a) A Clearing Member that intends to accept delivery of currency to cover a net long position shall, no later than 17:00 on the last day of trading, present to the Clearing House a Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the agent bank(s) used by the buyer and the number of Contracts and the component delivery values.

(b) The Clearing Member shall in accordance with the payment deadlines set out in Appendix 2 deposit the delivery amount (as described in paragraph 6.4) denominated in the currency of the minimum price fluctuation. Such deposit shall be in the form of a payment to a specified account at an Agent Bank designated by the Clearing House.

(c) If, in relation to a Contract, the Non-CLS Delivery Commitment is received later than 17:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, in accordance with section 9 of this FX Delivery Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with section 9 of this FX Delivery Procedure.

(d) From time to time, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the buying Clearing Member's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to accept delivery. For the avoidance of doubt, a Buyer's non-compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.

(e) The Clearing Member that is the buyer shall have made all provisions necessary to receive delivery within the relevant country.

6.13 Buying Clearing Members must take delivery of the currency at a bank in the country of origin of the relevant currency or a bank with a correspondent bank in that country. The delivering bank must be a commercial bank. At least one day prior to settlement the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.14 Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

6.15 The receiving bank should be advised and ready to accept the transfer of the relevant currency into the buying Clearing Member's account. If the Clearing Member does not adequately inform the receiving bank, the receiving bank may reject the transfer from the Agent Bank and a late delivery will occur. As the Clearing House will hold any currency for delivery in a non-interest bearing account at the Agent Bank, the loss in interest or cost of negative interest could be considerable.

6.16 Delivery will only be made to the receiving bank if the information supplied to the Clearing House in relation to the receiving bank and the relevant account is complete and accurate.

7 Wire Transfers

7.1 Any Clearing Member not using CLS to facilitate physical delivery, where permitted by the Contract Specification, may have to submit a Wire Transfer. The Clearing House will provide its account details for settlement by way of Wire Transfer upon request from a Clearing Member.

Wire transfers

7.2 A Clearing Member which elects to send a wire transfer of funds to the Agent Bank in order to make delivery under a Contract must ensure that the payment is received into the relevant account at the relevant Agent Bank in accordance with the payment deadlines in Appendix 2.

Payment Instructions

7.3 All wire transfers of funds into an account at an Agent Bank must comply with the EU Regulation 1781/2006 on information on the payer accompanying transfers of funds. Any delay in sending funds or other error relating to depositing any funds into the account at the Agent Bank may result in a delay in payment of the relevant currency by the Clearing House. Clearing Members who fail to make deliveries by the relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Clearing House Rules and/or the Exchange Rules.

7.4 A Clearing Member who fails to deposit funds in accordance with this FX Delivery Procedure will be responsible for any overdraft charges assessed by the Agent Bank and any other charges as the Clearing House deems appropriate. The overdraft charges may only be waived if the Clearing House receives a letter from the Clearing Member's bank stating that the bank will make the Clearing House whole. Such letter must be received by the Clearing House no later than ten (10) Business Days after such overdraft charge has been notified to the Clearing Member.

8 Cash Settlement Arrangements

8.1 Where a Contract Specification specifies that delivery shall be performed through cash settlement, delivery shall follow the requirements set out in this section 8.

8.2 Cash settlement shall occur at the Final Settlement Price.

Cash settlement of Exchange Contracts

8.3 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the seller shall pay to the Clearing House in respect of each Contract outstanding in respect of a Transaction the difference between the Final Settlement Price and the Daily Settlement Price on the

immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, the Clearing Member that is the seller shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size.

8.4 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the buyer shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, a Clearing Member that is the buyer shall pay to the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day multiplied by the Contract Size.

Cash settlement of Contracts which are not Exchange Contracts

8.5 Cash settlement shall occur as set out in the relevant Contract Specification.

Payments

8.6 All payments described in this section 8 shall be in a form determined by the Clearing House.

9 Delivery Infractions

Late or Inaccurate Delivery

9.1 If a Clearing Member fails to deposit such funds in order to make timely payment as required in this FX Delivery Procedure, the Clearing House may impose a fine upon the Clearing Member pursuant to the schedule of fines set out below, in addition to charging the current overdraft rate applicable to the Clearing House's delivery account in the currency in question or any other compensation due to the late or inaccurate delivery. Funds deposited earlier than the required date of deposit shall not earn interest for the early time period.

9.2 If the information contained in either a buying Clearing Member’s or a selling Clearing Member’s Non-CLS Delivery Commitment is inaccurate so that delivery cannot be accomplished in a timely manner, fines or damages may be assessed as in the remainder of this section 9.

9.3 If the Clearing House takes any action pursuant to this section 9, this will in no way inhibit the ability of the Clearing House to make a Declaration of Default in relation to a Clearing Member in accordance with the Clearing House Rules and/or the Exchange Rules.

Delivery Obligation Failure

9.4 A Clearing Member who fails to perform all acts required by this FX Delivery Procedure, or whose actions or inactions have been, at the discretion of the Clearing House, deemed a delivery obligation failure shall be liable to the Clearing House for any loss sustained, which loss shall be at least the aggregate of:

(a) The change, if any, from the Final Settlement Price on the last day of trading to the spot rate on the first day on which the transaction could be consummated on the spot market, as determined by the Clearing House. The spot market rate for the purposes of this computation shall be the means of the spot rates between a group of London banks selected for this purpose by the Clearing House at the earliest time it is determined the transaction can be completed in the spot market;

(b) Any related charges suffered by the Clearing House at any of its designated banks; and

(c) A sum not to exceed 1% of the value of the Contract. Such amount shall be set by the Clearing House, except no such sum shall be assessed where a delivery obligation failure is occasioned by a Force Majeure Event.

Fines Schedule

Submission of late notices of intention to settle via CLS or Non-CLS Delivery Commitments

Notices of intention to settle via CLS submitted after 17:00 shall incur a fine of at least USD$200.00 per notice of intention.

Non-CLS Delivery Commitments submitted after 17:00 shall incur a fine of at least USD$200.00 per Non-CLS Delivery Commitment.

Submission of changes to Delivery Commitments

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 19:00 for all Contracts with the exception of Canadian Dollar and Turkish Lira Contracts.

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 16:00 for Canadian Dollar and Turkish Lira Contracts.

Appendix 1: Form of Notice of Settlement Failure

To: CME Clearing Europe Limited

From: [*Name of Clearing Member*] (**Clearing Member**)

Notice of Settlement Failure

1. The Clearing Member has not received the required delivery currency in respect of the following Contract(s):

[full details of all Contracts under which delivery has not been made to be included]

2. Clearing Member confirms that it has immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and is willing to make immediate delivery in the manner directed by the Clearing House or otherwise to follow the directions of the Clearing House in relation to the relevant currency in accordance with the Rules.

AND/OR

3. Clearing Member confirms that it does not have immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and it is not able to make immediately delivery in respect of such Contract(s) or otherwise to follow the directions of the Clearing House in relation to the relevant currency in accordance with the Rules.

Signed by: *[Clearing Member Representative who is appropriately authorized to give the Notice of Settlement Failure]*

On behalf of: *[Name of Clearing Member]*

Date: [ ]

Appendix 2: Non-CLS deadlines

Non CLS Payment Deadlines	All times are London				
Contract	**Clearing Member Payment Currency**	**Payment Deadline**	**CMECE Payment Currency**	**CMCE Instruction Deadline**	
AUD / USD	AUD	3.00 (vd)	USD	9.00 (vd)	
	USD	13.00 (vd-1)	AUD	21.30 (vds-1)	USD must be paid Settlement Date -1 by buyer.
USD /CAD	USD	13.00 (vd)	CAD	15.00 (vd)	
	CAD	13.00 (vd)	USD	15.00 (vd)	
USD / CHF	USD	13.00 (vd-1)	CHF	9.00 (vd)	USD must be paid Settlement Date -1 by seller.
	CHF	9.00 (vd)	USD	11.00 (vd)	
EUR / GBP	EUR	9.00 (vd)	GBP	11.00 (vd)	
	GBP	9.00 (vd)	EUR	11.00 (vd)	
EUR / CNH	EUR	9.00 (vd-1)	CNH	16.00 (vd-1)	EUR must be paid Settlement Date -1 by seller.
	CNH	5.00 (vd)	EUR	9.00 (vd)	
EUR /DKK	EUR	9.00 (vd)	DKK	11.00 (vd)	
	DKK	9.00 (vd)	EUR	11.00 (vd)	
EUR / HUF	EUR	8.00 (vd)	HUF	10.00 (vd)	
	HUF	8.00 (vd)	EUR	10.00 (vd)	

Non CLS Payment Deadlines	All times are London				
Contract	**Clearing Member Payment Currency**	**Payment Deadline**	**CMECE Payment Currency**	**CMCE Instruction Deadline**	
EUR / JPY	EUR	9.00 (vd -1)	JPY	21.30 (vd-1)	EUR must be paid Settlement Date -1 by seller.
	JPY	4.00 (vd)	EUR	9.00 (vd)	
EUR / TRY	EUR	9.00 (vd)	TRY	11.00 (vd)	
	TRY	9.00 (vd)	EUR	11.00 (vd)	
EUR / NOK	EUR	9.00 (vd)	NOK	11.00 (vd)	
	NOK	9.00 (vd)	EUR	11.00 (vd)	
EUR / PLN	EUR	8.00 (vd)	PLN	10.00 (vd)	
	PLN	8.00 (vd)	EUR	10.00 (vd)	
EUR / CHF	EUR	9.00 (vd)	CHF	11.00 (vd)	
	CHF	9.00 (vd)	EUR	11.00 (vd)	
EUR / SEK	EUR	9.00 (vd)	SEK	11.00 (vd)	
	SEK	9.00 (vd)	EUR	11.00 (vd)	
EUR / USD	USD	13.00 (vd)	EUR	15.00 (vd)	
	EUR	9.00 (vd)	USD	13.00 (vd)	
EUR / CZK	EUR	9.00 (vd -1)	CZK	8.00 (vd)	EUR must be paid Settlement Date -1 by seller.

Non CLS Payment Deadlines	All times are London				
Contract	**Clearing Member Payment Currency**	**Payment Deadline**	**CMECE Payment Currency**	**CMCE Instruction Deadline**	
	CZK	8.00 (vd)	EUR	10.00 (vd)	
GBP / USD	GBP	9.00 (vd)	USD	11.00 (vd)	
	USD	13.00 (vd)	GBP	13.00 (vd)	
USD / JPY	USD	13.00 (vd-1)	JPY	21.30 (vd-1)	USD must be paid Settlement Date -1 by seller.
	JPY	4.00 (vd)	USD	9.00 (vd)	
USD /MXN	USD	13.00 (vd)	MXN	15.00 (vd)	
	MXN	13.00 (vd)	USD	15.00 (vd)	
NZD / USD	NZD	1.00 (vd)	USD	9.00 (vd)	
	USD	13.00 (vd-1)	NZD	19.30 (vd-1)	USD must be paid Settlement Date -1 by buyer.
USD / CNH	USD	13.00 (vd-1)	CNH	16.00 (vd-1)	
	CNH	5.00 (vd)	USD	9.00 (vd)	
USD / ILS	USD	13.00 (vd-1)	ILS	20.00 (vd-1)	USD must be paid Settlement Date -1 by seller.
	ILS	09.00 (vd)	USD	11.00 (vd)	
USD / TRY	USD	13.00 (vd-1)	TRY	9.00 (vd)	USD must be paid Settlement Date -1 by seller.
	TRY	9.00 (vd)	USD	11.00 (vd)	

Non CLS Payment Deadlines	**All times are London**				
Contract	**Clearing Member Payment Currency**	**Payment Deadline**	**CMECE Payment Currency**	**CMCE Instruction Deadline**	
USD / ZAR	USD	13.00 (vd-1)	ZAR	9.00 (vd)	USD must be paid Settlement Date -1 by seller.
	ZAR	7.30 (vd)	USD	11.00 (vd)	

Delivery Procedures (Part E): Cocoa Delivery Procedures

1 Introduction

1.1 These Cocoa Delivery Procedures describe the delivery mechanics in respect of Cocoa Futures Contracts made available for trading on the Exchange as set out in the Exchange Agricultural Products Contract Module, Chapter DA01, and shall apply to Clearing Members entering into Cocoa Futures Contracts with the Clearing House. Clearing Members are obliged to make or take Physical Delivery as set out in the Exchange Agricultural Products Contract Module, Chapter DA01 and these Cocoa Delivery Procedures in respect of open positions at the end of the last trading day.

1.2 Deliveries under these Cocoa Delivery Procedures shall be effected through the transfer of entitlement to possession of Cocoa held in a Valid form at Licensed Warehouses. This will be achieved by the transfer of CME Europe Warrants between the Depository Accounts of Clearing Members and the Clearing House.

2 Interpretation

2.1 Capitalised terms used and not otherwise defined within these Cocoa Delivery Procedures shall have the same meaning as in the Exchange Rules or, as the case may be, the Exchange Agricultural Products Contract Module.

2.2 In these Cocoa Delivery Procedures:

(a) “Exchange Agricultural Products Contract Module” shall mean the agricultural products Contract Module published by the Exchange from time to time.

(b) “Exchange Rules” means:

(i) where used in reference to one or more provisions of the Exchange Rulebook those provisions of the Exchange Rulebook; or

(ii) otherwise, the Exchange Rulebook, the Exchange Agricultural Products Contract Module, the Exchange Procedures and any Notices issued pursuant to the Exchange Rulebook and, for the purposes of any Rules concerning non-compliance with or breach of or failure to discharge any of the Rules, shall include provisions of the Membership Agreement.

(c) “Notice of Acceptance” a notice provided pursuant to paragraph 6.10 to be made in the form prescribed by the Clearing House from time to time.

(d) “Notice of Acknowledgment” a notice provided pursuant to paragraph 6.9 in the form prescribed by the Clearing House from time to time.

(e) "Owner" means in respect of any Parcel or Bagged Lot of Cocoa in respect of which one or more CME Europe Warrants is held by the Depository, a person whose name is recorded in Deliveries Plus as entitled to possession of any such CME Europe Warrant. Where two or more CME Europe Warrants are held in respect of a Bulk Parcel and for two or more different "Owners", each such "Owner" shall be entitled to an undivided share of that Bulk Parcel, such share being X% of the total weight of Cocoa in the Parcel, where X = the weight of Cocoa in the Parcel in respect of which the Depository holds CME Europe Warrants for such "Owner".

3 Delivery Process

3.1 Physical Delivery shall be effected through the transfer of entitlement to possession of Valid Cocoa held at Licensed Warehouses. This will be achieved in Deliveries Plus by the transfer of CME Europe Warrants between the Depository Accounts of Account Holders. Instructions to transfer a CME Europe Warrant will be given through Deliveries Plus by the making and accepting of nominations, which will operate as instructions to the Depository to debit CME Europe Warrants from the nominated Depository Account of the Account Holder transferor and to credit the nominated Depository Account of the Account Holder transferee. Transfers by way of Physical Delivery in respect of Cocoa Futures Contracts in each case shall be made to or from the Depository Account of the Clearing House. Transfers to or from a Clearing Member for the account of a Client of the Clearing Member may be nominated from the relevant Client Account of the Clearing Member at the Depository.

3.2 The Clearing Member to whose account at the Depository are credited CME Europe Warrants in respect of any Cocoa is entitled to transfer or take Physical Delivery from the relevant Licensed Warehouse of such Bagged or Bulk Cocoa to which such CME Europe Warrants relate.

3.3 Ownership of the Cocoa Beans represented by the CME Europe Warrant shall be transferred to the Clearing House without any Encumbrance.

3.4 Payment of cash in respect of the Physical Delivery of Cocoa Beans shall be made in accordance with paragraphs 6.11 and 6.13 below.

4 Adjustment of the Delivery Price

4.1 The Delivery Price may be adjusted in accordance with the terms of the Cocoa Futures Contract.

5 Delivery Units

5.1 As described in the Exchange Agricultural Products Contract Module, Cocoa Beans may be stored in Lots in the form of Bags or in Bulk ("Bulk Parcels"). A single CME Europe Warrant in respect of a delivery of Bags is issued in respect of each Lot of 10 metric tons. A single CME Europe Warrant in respect of a Bulk Parcel is issued in respect of a single pile of Cocoa Beans where the size of the pile is equal to 500 metric tons, 750 metric tons, 1,000 metric tons, 1,250 metric tons or 1,500 metric tons only.

5.2 A Delivery Seller may tender for Physical Delivery only whole numbers of CME Europe Warrants, and the full amount of Cocoa that is covered by each CME Europe Warrant must be subject to the tender. Therefore for Bulk Parcels, except as described in paragraph 5.4 below, only whole piles of Cocoa may be tendered for Physical Delivery.

5.3 In order to be considered Valid for Physical Delivery for a specific Contract Month, Cocoa must be recorded in Deliveries Plus and have had assigned to it a satisfactory Grading result no later than the Business Day prior to the first Business Day of the Contract Month. The period for which the Grading result applies must include the whole Contract Month.

5.4 The Clearing House may allocate a Bulk Parcel to multiple Delivery Buyers. Where this occurs, the Clearing House will act in accordance with the section of the Exchange's Cocoa Procedures regarding "Split Bulk Parcels".

6 Delivery Timings

6.1 Clearing Members and their Customers with open short positions at the close of trading on the last trading day must tender positions for Physical Delivery on the Tender Day.

6.2 On the last trading day, Clearing Members must finalise the account allocation of Contracts and notify the Clearing House by 18:00 hours London time.

6.3 Where a Clearing Member or its Customer holds a short position at the close of trading on the last trading day, the Clearing Member must provide the Clearing House with a Notice of Tender through Deliveries Plus by 12:00 hours London time on the Tender Day. Failure to provide a Notice of Tender to the Clearing House by this time will constitute a delivery failure.

6.4 The Notice of Tender shall be made through Deliveries Plus, and shall include the details of:

(a) the identity of the Clearing Member making the Notice of Tender;

(b) the identity and Notional Sub-Account of the Clearing Member's Customer;

(c) the number of Lots being tendered for Physical Delivery; and

(d) the unique identifier codes of the CME Europe Warrant(s) that are to be delivered.

6.5 As described in the Exchange Agricultural Products Contract Module, a Clearing Member may not amend the details of the Notice of Tender, including the identifier codes of the CME Europe Warrant(s), once such Notice of Tender has been submitted.

6.6 Where a Clearing Member or its Customer holds a long position at the close of trading on the last trading day, the Clearing Member must provide the Clearing House with details via Deliveries Plus of the size of each individual position and the amount of Bagged Lots or the size(s) of Bulk Parcel that each long position can accommodate. This information should be provided to the Clearing House by 10:00 hours London time on the Tender Day. Failure to provide this information will result in the Clearing House being entitled to treat the Clearing Member's long position as a single position for each Account.

6.7 On the Tender Day, following the provision of a Notice of Tender by a Clearing Member, the Clearing House shall by 17:00 hours London time provide a Notice of Allocation to a Clearing Member holding a long position in the relevant Contract Month. In allocating Physical Delivery to a long position holder, the Clearing House shall to the extent possible allocate Physical Delivery requirements to long position holders on a random basis, provided that the Clearing House shall always have regard to the number of Parcels that have been tendered, the size and location of each tendered Parcel, and the apparent size of open long positions, with the intention of minimising the requirement to divide Parcels in order to fulfil Physical Delivery.

6.8 The Notice of Allocation described in paragraph 6.7 shall be made through Deliveries Plus, and shall include the details of:

(a) the identity of the Clearing Member to whom the Cocoa has been allocated;

(b) the Notional Sub-Account of the Clearing Members Customer to whom the Cocoa has been allocated ;

(c) the identity of the Clearing Member tendering the Cocoa;

(d) the number of Lots being allocated for Physical Delivery;

(e) the unique identifier codes of the CME Europe Warrant(s) that are to be delivered; and

(f) the Parcel size (for Bulk only), Bagged or Bulk status, location, and Grading result for the Cocoa Beans being allocated.

6.9 At the same time as making the Notice of Allocation described in paragraph 6.7, the Clearing House shall through Deliveries Plus provide to the Clearing Member who submitted the Notice of Tender a Notice of Acknowledgment which shall include the details of the identity of the Clearing Member to whom the Cocoa has been allocated.

6.10 By 12:00 hours London time on the day following the Tender Day, a Clearing Member who has received from the Clearing House a Notice of Allocation shall provide to the Clearing House through Deliveries Plus a Notice of Acceptance which shall include the details of the identity of the Clearing Member's Customer to whom the Cocoa has been allocated.

6.11 On the Delivery Day, the Clearing Member to whom the Cocoa has been allocated shall by no later than 10:00 hours London time pay the Delivery Value in respect of each allocated Lot in cash from its bank account to the bank account of the Clearing House.

6.12 On the Delivery Day, the Delivery Seller shall no later than 11:00 hours London time make a delivery nomination through Deliveries Plus for the transfer of the CME Europe Warrant to the account of the Clearing House. The Clearing House shall accept any valid delivery nomination without delay.

6.13 On the Delivery Day, upon acceptance of the delivery nomination from the Delivery Seller, and subject to having received the payment of the Delivery Value as described in paragraph 6.11, the Clearing House shall:

(a) make a delivery nomination through Deliveries Plus for the transfer of the CME Europe Warrant to the account of the Delivery Buyer, who shall accept such delivery nomination without delay; and

(b) pay the Delivery Value in respect of each allocated Lot in cash from its bank account to the bank account of the Delivery Seller.

7 Failure to Deliver

7.1 Where a Clearing Member fails to perform its obligations under a Contract and prescribed in these Cocoa Delivery Procedure and the Rules, including but not limited to failure to pay any sum due to the Clearing House in respect of such Contract or failure to complete its Physical Delivery requirements under the Cocoa Futures Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission or acceptance of delivery nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 The Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, incurred by the Clearing House in taking any such steps to remedy the failure of the Clearing Member to fulfil its obligations under the Rules. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House’s internal expenses in relation to the management of the delivery failure arising from the actions or inactions of the Clearing Member.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House may liaise with the Exchange and Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these Cocoa Delivery Procedures. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed Physical Delivery.

7.4 In the circumstances set out in paragraph 7.2, the Clearing House shall invoice the relevant Clearing Member(s) and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

7.5 Notwithstanding that a Clearing Member may be in default in performing its obligations under a Contract, the Clearing House may in its absolute discretion determine not to exercise its rights and powers under the Rules and these Cocoa Delivery Procedures or to delay in exercising such rights and powers. No failure to exercise or delay in exercising such rights and powers shall constitute a waiver of the Clearing House's rights and powers upon that or any subsequent occurrence, nor shall any partial exercising of such rights and powers prevent the Clearing House from further exercising such rights and powers.

8 Alternative Delivery Arrangements

8.1 Alternative Delivery Arrangements are permitted for Cocoa Futures Contracts as described in the Exchange's Cocoa Procedures (which form part of the Procedures). Where a Delivery Seller or a Delivery Buyer (the 'initial party') wishes to negotiate an Alternative Delivery Arrangement, it shall indicate this intention to the Clearing House through Deliveries Plus no later than 12:00 hours London time on the second Business Day prior to the Delivery Day.

8.2 The Clearing House shall through Deliveries Plus contact the corresponding Delivery Buyer or Delivery Seller (as the case may be) of the Parcel (the 'second party'), and indicate the intention of the initial party. The second party may in turn indicate that it is willing to open a negotiation.

8.3 Where the second party has indicated that it is willing to negotiate, the Clearing House shall introduce the parties.

8.4 Where the Delivery Seller and the Delivery Buyer agree to Alternative Delivery Arrangements, each party must confirm this to the Clearing House by submitting through Deliveries Plus a Notice of Alternative Delivery to be accepted, must be received by the Clearing House no later than 12:00 hours London time on the Business Day prior to the Delivery Day.

8.5 Where a Notice of Alternative Delivery is received and accepted by the Clearing House, the Clearing House shall remove the Physical Delivery requirements from Deliveries Plus and re-credit any outstanding margin deposits due to the Delivery Seller and the Delivery Buyer. For

the avoidance of doubt, where counterparties agree to an Alternative Delivery Arrangement, and submit a valid Notice of Alternative Delivery which is accepted by the Clearing House, the Clearing House shall have no further Physical Delivery, or any other, liability to either party in relation to Contracts in respect of which such Notice of Alternative Delivery has been accepted.

Delivery Procedures (Part F): European Union Allowances (EUAs)

1 Introduction

1.1 These European Union Allowances (**EUAs**) Delivery Procedures describe the delivery mechanics in respect of Physically Delivered European Union Allowance futures Contracts (**EUA Future**, or **EUA Futures Contract**, as the case may be) as set out in the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into such Contracts with the Clearing House.

1.2 Delivery shall be effected through the electronic transfer of EUAs between the relevant Registry Accounts of the Clearing House and the Clearing Members within the Union Registry.

2 Interpretation

2.1 Capitalised terms used within these EUA Delivery Procedures shall have the meaning as defined in the Rules and the CME Europe Contract Module for Energy, except that:

Value Added Tax or **VAT** means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere;

3 Operating Times

3.1 Futures can be accepted for clearing on any Business Day. EUA Futures Contracts must be traded in accordance with the Exchange Rules of CME Europe.

4 Delivery Requirements

4.1 The Clearing House shall have and will at all times maintain a Registry Account that is a Trading Account at the Union Registry that is subject to the jurisdiction of the United Kingdom or the jurisdiction of such other jurisdiction that may be notified to Clearing Members by the Clearing House from time to time.

4.2 Each Clearing Member shall be required to add the Clearing House's Registry Account to the Trusted Account List for any Registry Account used by the Clearing Member. To facilitate the addition of the Clearing Member's Registry Account(s) to the Trusted Account List of the Clearing House's Registry Account, the Clearing Member shall provide the details of that Clearing Member's relevant Registry Account(s) to the Clearing House, at least fifteen (15) clear Business Days in advance of the last trading day of any EUA Futures Contract. For the avoidance of doubt, unless there has been a change to the Clearing House's Registry Account details, the Clearing Member only needs to provide the abovementioned information to the

Clearing House once. Where there has been a change, the abovementioned notification (including those details relating to the timing of any notice) shall apply.

4.3 A Clearing Member may hold open positions in an EUA Future where:

(i) it meets the requirements set out by the Clearing House in these Delivery Procedures; and

(ii) it has provided the Clearing House with its UK VAT registration details.

4.4 A Clearing Member shall deliver EUAs directly from its Registry Account to the Clearing House's Registry Account, and shall accept delivery of EUAs directly into its Registry Account from the Clearing House's Registry Account.

4.5 By transferring EUAs to the Clearing House's Registry Account, the Delivery Seller represents and warrants that, at the time of delivery, such EUAs are free and clear of all liens, security interests, claims and encumbrances or any interest in or to them by any other person.

4.6 All payments relating to EUA Futures Contracts shall be made between the Clearing House and the relevant Clearing Member. For the avoidance of doubt, the Clearing House shall not make any payments to Clients. The Clearing Member shall make separate arrangements for the transfer of any payments between itself and its Clients in relation to any relevant Contracts.

5 Delivery Process

5.1 Physical Delivery of EUAs shall comply with this paragraph 5 and the CME Europe Contract Module for Energy.

5.2 Contracts remaining open at 17:00 hours on the last trading day shall result in the Physical Delivery of EUAs through the delivery of EUAs to, and subsequently from, the Clearing House's Registry Account.

5.3 A delivery shall be considered to be complete only when the EUA has been received in the Clearing House's Registry Account where the Contract is between a Delivery Seller and the Clearing House acting as buyer, and the Delivery Buyer's Registry Account where the Contract is between the Delivery Buyer and the Clearing House acting as seller.

5.4 A Delivery Seller shall effect delivery of EUAs from its Registry Account in the Relevant Registry to the Clearing House's Registry Account. The Clearing House shall effect delivery of EUAs from the Clearing House's Registry Account to the Delivery Buyer's Registry Account in the Relevant Registry. Such transfers of EUAs shall comply with all applicable rules and regulations that govern Registry Accounts in the Relevant Registry.

5.5 Payment of the Delivery Value shall be made in accordance with paragraphs 6.6 to 6.8 below and, for the avoidance of doubt, shall not occur concurrently with the delivery of EUAs.

6 Delivery Timing

6.1 The timing for delivery set out in this paragraph 6 may be amended by the Clearing House from time to time. The Clearing House shall notify Clearing Members of any such amendments to the extent that they may have a material impact in relation to the arrangements for delivery relating to the operation of EUA Futures Contracts.

6.2 Clearing Members having open long positions on the last trading day of the Contract, as specified in the CME Europe Contract Module for Energy, shall provide a Notice of Intention to Accept Delivery to the Clearing House no later than 20:00 hours (London time) on the last trading day. The Notice of Intention to Accept Delivery must be in the form prescribed by the Clearing House and must be properly completed and indicate the name of the Delivery Buyer, the number of Contracts to be accepted for delivery, the Delivery Buyer's Registry Account number, the name, telephone number and e-mail address of the Delivery Buyer's Authorised Representative(s) for the relevant Registry Account, and any additional information as may be required by the Clearing House.

6.3 Clearing Members having open short positions on the last trading day of the Contract, as specified in the CME Europe Contract Module for Energy, shall provide a Notice of Intention to Deliver to the Clearing House no later than 20:00 hours (London time) on the last trading day. The Notice of Intention to Deliver must be in the form prescribed by the Clearing House and must be properly completed and indicate the name of the Delivery Seller, the number of Contracts to be delivered, the Delivery Seller's Registry Account number, the name, telephone number and e-mail address of the Delivery Seller's Authorised Representative(s) for the relevant Registry Account, and any additional information as may be required by the Clearing House.

6.4 The Delivery Seller shall initiate the delivery of the relevant EUAs to the Clearing House's Registry Account by 09:00 (London Time) on the Registry Business Day following the last trading day of the Contract Month.

6.5 For each Delivery Buyer that has fully satisfied its obligations under paragraph 6.7 below The Clearing House shall initiate the delivery of the relevant EUAs to the Delivery Buyer's Registry Account prior to 15:00 hours (London time) on the second Registry Business Day following the last trading day of the Contract Month.

For cash flows

6.6 Following the final time for trade submission on the last trading day, the Clearing House shall provide Clearing Members with their Delivery Value payment requirement. Clearing Members shall acknowledge receipt of their Delivery Value payment requirements by the time and in the manner described below.

6.7 The Delivery Buyer shall transfer the Delivery Value payment in Euro to the designated Clearing House settlement bank (as notified by time to time) by 12:30 hours (London time) on the Registry Business Day following the last trading day of the Contract Month. Payment of the Delivery Value shall be made by the Delivery Buyer to the Clearing House inclusive of any associated Value Added Tax (as applicable).

6.8 For each Delivery Seller that has fully satisfied its obligations under paragraph 6.4 above, the Clearing House shall transfer the Delivery Value payment in Euro to the Delivery Seller by 15:00 hours (London time) on the second Registry Business Day following the last trading day of the Contract Month. Payment of the Delivery Value shall be made by the Clearing House to the Delivery Seller inclusive of any associated Value Added Tax (as applicable).

Transfer of Risk in EUAs

6.9 It shall be understood by the Clearing House and the Clearing Members that risk in EUAs shall transfer from the Delivery Seller to the Clearing House upon completion of delivery pursuant to paragraph 5.2 above and as described in the CME Europe Contract Module for Energy.

6.10 It shall be understood by the Clearing House and the Clearing Members that risk in EUAs shall transfer from the Clearing House to the Delivery Buyer upon completion of delivery pursuant to paragraph 5.2 above and as described in the CME Europe Contract Module for Energy.

7 Failure to Deliver

7.1 In the event that a Delivery Buyer or a Delivery Seller fails to comply with its delivery obligations for any reason including, but not limited to, a failure to ensure the accurate, complete and timely delivery of EUAs, the relevant Clearing Member shall take all necessary steps to remedy this failure in a timely manner and shall follow any instructions issued by the Clearing House.

7.2 The Clearing House may take such action as it considers in its sole discretion necessary to acquire or dispose of EUAs in order to reduce or extinguish any costs, charges or liabilities that would otherwise be incurred by the Clearing House as a result of the failure of the relevant party to perform its delivery obligations. The Clearing Member shall indemnify the Clearing House in respect of any such costs, charges, damages or losses suffered or incurred by the Clearing House in taking such actions.

7.3 The Clearing Member shall, as required by the Clearing House, make a compensation payment to the Clearing House for the full amount of any charges and any associated costs borne by the Clearing House in relation to the failure of that Clearing Member to deliver or to accept delivery of EUAs in accordance with the relevant European Union Allowance Future Contract Specification included in the CME Europe Contract Module for Energy and these Delivery Procedures.

7.4 The Clearing House reserves the right to declare an Event of Default in relation to any Clearing Member as a consequence of a failure of that Clearing Member to deliver, or accept delivery of, EUAs.

7.5 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 7.1 and 7.2 above, the Clearing House may liaise with any Clearing Members that are affected by the failure of another Clearing Member to deliver or to accept delivery and may take any action, in its sole discretion, under the Rules and the Clearing House Delivery Procedures. In the event of a failure to deliver by a Delivery Seller, where the Clearing House is not able to rectify the failure at its sole discretion, the Clearing House may issue a credit note to any affected Delivery Buyers for an amount up to the full Delivery Value of the failed delivery.

7.6 In the circumstances set out in paragraph 7.2 and 7.3, the Clearing House shall invoice the relevant Clearing Member(s) and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

7.7 Notwithstanding that a Clearing Member may be in default in performing its obligations under a Contract, the Clearing House may in its absolute discretion determine not to exercise its rights and powers under the Rules and these EUA Futures Delivery Procedures or to delay in exercising such rights and powers. No failure to exercise or delay in exercising such rights and powers shall constitute a waiver of the Clearing House's rights and powers upon that or any subsequent occurrence, nor shall any partial exercising of such rights and powers prevent the Clearing House from further exercising such rights and powers.

8 Value Added Tax

8.1 Value Added Tax may be payable on EUA deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be paid simultaneously with the payment of the Delivery Value.

8.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under an EUA Futures Contract as eligible for zero rating for the purposes of UK VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.

8.3 Physically deliverable EUA Futures Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of EUAs and any such other taxes or duties hall be borne by the Delivery Buyer.

9 Force Majeure

9.1 Subject to paragraph 9.2, no person who is a party to an EUA Futures Contract shall be liable for any failure to deliver EUAs or failure to take delivery of EUAs under the terms of the EUA Futures Contract in the event that performance of that person's obligations under the Contract terms is prevented by a Force Majeure Event within the meaning of these Delivery Procedures. For the purposes of any EUA Futures Contract, in place of the meaning ascribed to the term Force Majeure Event in the Exchange Rules, the term Force Majeure Event shall have the following meaning in relation to the EUA Futures Contract.

9.2 **Force Majeure Event** means any event that is outside the reasonable control of the Delivery Buyer, Delivery Seller or the Clearing House (as applicable) under the EUA Futures Contract and that prevents the delivery or acceptance of an EUA by the relevant party in accordance with the Registry Regulations.

In addition, for an EUA Futures Contract, if before the applicable settlement period for that Contract, the EU ETS is, as a result of official written public pronouncement by any duly authorised body representing the European Union, no longer scheduled to proceed or is to be discontinued, or is significantly amended in a manner which prevents the performance of delivery obligations in accordance with the EUA Futures Contract and Clearing House Delivery Procedures, the Clearing House shall follow the procedures specified in Rule 2.9 of the Clearing Rules. In such case, neither the Delivery Seller, the Clearing House, nor the Delivery Buyer shall have any further delivery or payment obligations under or in respect of the open EUA Futures Contract.

Without limitation to the foregoing, a Force Majeure Event shall include:

(i) a public statement by an appropriate authority, or by the Central Administrator or the National Administrator of the Relevant Registry, of an occurrence of an event outside the reasonable control of the Relevant Registry so as to prevent a delivery taking place during the delivery period specified in paragraph 6 of the Clearing House Delivery Procedures in relation to the Contract, and which is endorsed by the Exchange as a declaration of a Force Majeure Event in respect of the Relevant Registry;

(ii) the Relevant Registry suspending the submission of request for the initiation of Deliveries or the effecting of Deliveries under the Registry Regulations or otherwise; or

(iii) for the delivery period specified in paragraph 6 of the Clearing House Delivery Procedures in relation to the Contract, the failure of a Registry Communication Link in relation to the Relevant Registry; or

(iv) the inability to make a delivery of EUAs owing to a problem within the central systems or processes established under the EU ETS for the receipt and acceptance of delivery, but

only to the extent that contingency arrangements do not exist under the EU ETS by which the Delivery Seller, the Delivery Buyer or the Clearing House (as the case may be) can reasonably be expected to make or accept the delivery of EUAs (as the case may be) in accordance with any Notice issued by the Clearing House; or

(v) the suspension of some or all of the processes of a Relevant Registry or the EUTL or the UNFCCC International Transaction Log (if applicable) and which affects the ability to make a delivery where (a) that Registry is not operated and maintained in accordance with the provisions of the Registry Regulations, or any other applicable law, or (b) for the purposes of carrying out scheduled or emergency maintenance, or (c) where there has been or following reasonable suspicion of, a breach of security which threatens the integrity of the Registry system (including any back up facilities); or

(vi) the refusal or rejection by the Relevant Registry or the EUTL and/or the UNFCCC International Transaction Log if appropriate, of an initiation of request for delivery by the Delivery Seller or the Clearing House (when acting as seller under the Contract with the Delivery Buyer) where the delivery would cause the Relevant Registry to breach its minimum holding requirements.

9.3 For the avoidance of doubt, the occurrence of any of the following events shall not give rise to a Force Majeure Event:

(i) an insufficient amount of (or in the event that there are no) EUAs in the Delivery Seller's Registry Account to enable the Delivery Seller to effect the delivery, whether caused by non-allocation or low allocation of EUAs or for any other reason; or

(ii) the non-validity for any reason of any EUAs for the purposes of meeting the requirements of the ETS Directive.

9.4 If and to the extent that either the Clearing House or the relevant Clearing Member is hindered or prevented by a Force Majeure Event from performing any of its obligations under these Rules, the party so affected (the **Affected Party**) shall not be liable to the other party for failure to perform such obligations provided that the Affected Party takes the steps set out in 9.5.

9.5 On the occurrence of a Force Majeure Event, the Affected Party shall:

(a) Immediately notify the other party of the same in writing and, if the Clearing House is the Affected Party, it shall do so by issuing a Notice;

(b) Use reasonable endeavours to minimise the effects of the Force Majeure Event on the performance of its obligations under the Exchange Rules and resume full performance of such obligations without avoidable delay;

(c) Keep the other party informed of the development of the circumstances of the Force Majeure Event and the performance of its obligations under the Exchange Rules, including, without limitation, when it is no longer affected by the Force Majeure Event and, if the Clearing House is the Affected Party, it shall do so by issuing a Notice; and

(d) If the Clearing House is the Affected Party, require any Clearing Member to take such action as the Clearing House may direct in relation to any Contracts or Collateral deposited with the Clearing House affected by the Force Majeure Event.

Complaints Procedure

1 Introduction

This Complaints Procedure is designed to ensure that all Complaints received from Clearing Members are dealt with fairly and in an objective and prompt way.

2 Types of Complaints

2.1 Paragraphs 3 to 7 of this Complaints Procedure set out how a Clearing Member who has a Clearing House Complaint may make a formal complaint to the Clearing House and how the Clearing House will investigate and resolve such a complaint.

2.2 Paragraph 8 of this Complaints Procedure sets out how a Clearing Member who has a Clearing Member Complaint may make a formal complaint to the Clearing House and how the Clearing House will investigate and resolve such a complaint.

3 Requirements for Clearing House Complaints

3.1 A Clearing House Complaint must:

(a) be made in writing, dated and addressed to the Regulatory Compliance Officer, CME Clearing Europe Limited, One New Change, London EC4M 9AF;

(b) set out, so far as possible, full details of the substance of the Clearing House Complaint including, without limitation, the date(s) and place(s) when it occurred, the names of the persons involved;

(c) set out the outcome that is sought by the complainant;

(d) contain any other details or documentation that the complainant considers that the Clearing House shall require in order to investigate the Clearing House Complaint;

(e) be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Clearing House Complaint or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and

(f) contain the complainant's full name and address and the contact details of the person who the Clearing House should contact in relation to the Clearing House Complaint.

4 Acknowledgement and investigation

4.1 The Clearing House must acknowledge the Clearing House Complaint in writing, to the address shown on the letter of complaint, within ten (10) Business Days of receipt.

4.2 If, in the opinion of the Clearing House, the letter of complaint meets the Complaints Requirements (as set out in paragraph 3 above), the Clearing House will refer the Clearing House Complaint to an Investigation Committee. Complaints must be referred to the Investigation Committee within ten (10) Business Days of receipt of the letter of complaint by the Clearing House.

4.3 An Investigation Committee shall consist of any 3 of the following persons:

(a) The CEO of the Clearing House;

(b) The Chief Operating Officer of the Clearing House;

(c) Any head of department of the Clearing House;

(d) The Regulatory Compliance Officer of the Clearing House; and

(e) Any of the independent non-executive members of the Board;

providing always that an Investigation Committee shall have at least one Director among its number.

4.4 The Clearing House reserves the right to consider a Clearing House Complaint made by a Clearing Member that is also a member of the Exchange, the subject of which is also the subject of an Exchange Complaint, in conjunction with the Exchange.

4.5 If, in the opinion of the Clearing House, the letter of complaint does not meet the Complaints Requirements, the Clearing House reserves the right not to commence an internal investigation until, in its opinion, the Complaints Requirements are met.

5 Internal investigation

5.1 The Investigation Committee has responsibility for carrying out an objective and thorough review and investigation of the Clearing House Complaint.

5.2 The Investigation Committee will carry out an investigation and review into the subject matter of the Clearing House Complaint (the **Internal Investigation**) and must deliver its report to the complainant and to the Board of the Clearing House within seventy (70) Business Days from the date on which the Clearing House Complaint was referred to it. The report will contain recommendations for resolving the Clearing House Complaint or it may contain no

recommendations if, in the opinion of the Investigation Committee, this is considered to be appropriate. The report will also contain reasons for any decision taken by the Investigation Committee.

5.3 The costs of the Internal Investigation, review and report will be met entirely by the Clearing House.

6 Referral to an Independent Complaints Investigator

6.1 If the complainant is not satisfied with the outcome of the Internal Investigation, or if the complainant does not receive the Investigation Committee's report within seventy (70) Business Days of the Clearing House Complaint being referred to it (and providing that the subject matter of the Clearing House Complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a Clearing House Complaint from the same complainant) the complainant may request that the Clearing House refer the Clearing House Complaint to an independent complaints' investigator (the **Independent Investigator**) who has been nominated in accordance with the procedure set out in paragraph 6.4 below.

6.2 A complainant must make a referral request to the Clearing House:

(a) in writing to the Regulatory Compliance Officer of the Clearing House;

(b) no later than:

(i) ten (10) Business Days following receipt by the complainant of the report from the Investigation Committee (provided in accordance with paragraph 5.2 above); or

(ii) eighty (80) Business Days from the submission of the Clearing House Complaint to the Clearing House (in accordance with paragraph 3.1) if no report has been received from the Investigation Committee (as per paragraph 5.2).

6.3 The Clearing House must refer the Clearing House Complaint to an Independent Investigator within ten (10) Business Days of receipt of a written request for referral made in accordance with paragraph 6.2 above.

6.4 An Independent Investigator shall be nominated for the purposes of this Complaints Procedure by the Centre for Effective Dispute Resolution (**CEDR**), with whom the Clearing House will liaise. The Independent Investigator will:

(a) be independent of the Clearing House, meaning for the purposes of this Complaints Procedure, that the Independent Investigator is not and has not ever been an officer, director or employee of the Clearing House or any of its Affiliates;

(b) have appropriate knowledge of how clearing is carried out by the Clearing House and of the Rules and other relevant documentation, regulation and Applicable Law; and

(c) have appropriate experience of the market and/ or activities to which the Clearing House Complaint relates.

6.5 The Clearing House will allow the Independent Investigator full access to records, staff and any key individuals or such other persons as may reasonably enable him to pursue his investigation and prepare his report and recommendations.

6.6 The Clearing House will pay the fees and expenses of the Independent Investigator.

6.7 If, for reasons beyond the Clearing House's control, a referral to an Independent Investigator is not made within the ten (10) Business Day period referred to in paragraph 6.3, the Clearing House must notify the complainant in writing as soon as possible (but in any event no more than twelve (12) Business Days following dissemination by the Investigation Committee to the complainant of the report) of the reasons for the delay.

7 Independent Investigator's procedure for dealing with the Complaint

7.1 On being appointed, the Independent Investigator must immediately notify the complainant and the Clearing House in writing of its appointment and will invite both parties to make submissions and submit any documentation they wish, within a timescale that the Independent Investigator will determine. Wherever possible, the Independent Investigator's investigation of a Clearing House Complaint referred to it under this Procedure will be concluded within two (2) months from the date of its nomination. Where this is not reasonably possible because of the nature or complexity of the Clearing House Complaint, or any other reasonable factor, the Independent Investigator will notify both the complainant and the Clearing House in writing and must provide a further date for the completion of the investigation.

7.2 The Independent Investigator can determine its own procedure for considering the Clearing House Complaint referred to it and may, without limitation, take one or more of the following steps to do so:

(a) interview one or more Representatives of the complainant;

(b) interview one or more Representatives of the Clearing House;

(c) seek further or other information from the Clearing House and / or the complainant; or

(d) make any further or reasonable inquiries as it deems fit in order to properly and fully investigate the Clearing House Complaint.

7.3 On concluding his investigation, the Independent Investigator will produce a written report setting out its findings, conclusions and reasons for its conclusions. A copy of this report will be provided by the Independent Investigator to both the complainant and the Clearing House. In its written report, the Independent Investigator may make such recommendations it deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment to the complainant and / or takes remedial action to remedy the cause of the Clearing House Complaint.

7.4 The report will not be made public unless the complainant and the Clearing House agree that this should be the case. In the event that it is to be made public, the report will be published on the Website.

8 Clearing Member Complaints

8.1 Clearing Member Complaints should:

(a) be made in writing, dated and addressed to the Regulatory Compliance Officer, CME Clearing Europe Limited, One New Change, London, EC4M 9AF;

(b) set out, so far as possible, full details of the substance of the Complaint including, without limitation, the date(s) and place(s) when it occurred, the names of the persons involved;

(c) set out the outcome that is sought by the complainant;

(d) contain any other details or documentation that the complainant considers that the Clearing House shall require in order to investigate the Complaint;

(e) be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Complaint or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and

(f) contain the complainant's full name and address and the contact details of the person at the complainant who the Clearing House should contact in relation to the Complaint.

Fully Segregated Account Procedure

1 Introduction

1.1 This Fully Segregated Account Procedure sets out the process of establishing and documenting an FS Individual Client Account and FS Account and the consequences of a default of the Clearing House, Clearing Member or Client in relation to such FS Individual Client Account.

2 Definitions

2.1 Capitalised terms have the meaning as set out below:

Agreed Amount means, in relation to an FS Account, the minimum value of FS Eligible Securities which the Clearing Member has agreed with the Client to maintain in the FS Account;

Beneficiaries means each Beneficiary Clearing Member and each Beneficiary Client and the term **Beneficiary** shall refer to either one of them;

Beneficiary Clearing Member means a person:

(a) that is a Clearing Member;

(b) whose name is referenced in the name of an FS Account;

(c) who has executed an FS Settlement Deed;

Beneficiary Client means a person:

(a) that is indicated as a Client in the books and records of the Clearing House;

(b) whose name is referenced in the name of an FS account;

(c) who has executed an FS Settlement Deed;

Client Clearing Documents means each Client Protection Agreement, Client Agreement, Client Acknowledgment and document designated as a Client Clearing Document by the Clearing House;

Client Designated Account means an account in the name of the relevant Beneficiary Client or an account designated from time to time by the relevant Beneficiary Client as a Client Designated Account;

Enforcement Time means the time following the date on which all Contracts entered into between the Beneficiary Clearing Members and the Clearing House under the Rules are terminated in accordance with Rule 2.5 (*Clearing House Insolvency*);

FS Account, in relation to a Beneficiary, has the meaning given to it in the relevant FS Settlement Agreement;

FS Collateral means any securities and/or cash standing to the credit of the FS Account;

FS Custodian means each custodian or securities settlement system which the Clearing House appoints as custodian for an FS Account;

FS Custody Agreement means:

(a) an agreement entered into between, inter alia, the Clearing House and an FS Custodian in which the parties agree that the FS Custodian will open and maintain FS Accounts and the FS Custodian is appointed to administer FS Eligible Securities, including without limitation the right to transfer FS Eligible Securities from a Client Designated Account into an FS Account;

(b) the general terms and conditions (however described) of an FS Custodian as published by such FS Custodian from time to time;

FS Documents means any or all (as the context may require) of:

(a) an FS Settlement Deed;

(b) an FS Security Interest Document;

(c) FS Custody Agreement;

(d) FS General Terms and Conditions; and/or

(e) any other documents designated as such by the Clearing House and the FS Security Trustee at any time;

FS Eligible Securities means any securities which are Eligible Securities save for those that the Clearing Member notifies the Clearing House are not acceptable pursuant to the terms of the Client Agreement;

FS Individual Client Account means an Individual Client Account in respect of which an FS Account has been created;

FS Security Interest Document means a document to which the FS Security Trustee is a party under which the Clearing House grants Security over one or more FS Accounts in favour of the FS Security Trustee and governed by the law applicable to such FS Accounts;

FS Settlement Deed means a deed entered into between the Clearing House, a Beneficiary Clearing Member and a Beneficiary Client in which the communication of the Agreed Amount and the delivery of FS Eligible Securities is agreed and each Beneficiary agrees to be bound by all obligations, authorisations and waivers applicable to Beneficiaries under this Deed;

FS Security Trust Deed means the security trust deed made between the Clearing House and the FS Security Trustee;

Multi-Party FS Custody Agreement means an FS Custody Agreement to which the Beneficiaries are parties;

Security means:

(a) any mortgage, charge, pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind in any jurisdiction;

(b) any proprietary interest over an asset, or any contractual arrangement in relation to an asset, which has the same commercial effect as if security had been created over it; and

(c) any right of set-off created by agreement;

Swiss FS Account means an FS Account opened with an FS Custodian incorporated in Switzerland;

Swiss FS Collateral Management Agreement means an FS Custody Agreement entered into with an FS Custodian incorporated in Switzerland; and

Swiss FS Security Interest Document means an FS Security Interest Document that is governed by Swiss law;

3 Explanation

3.1 A Clearing Member which clears a Client's Transactions through an Individual Client Account may request the Clearing House to establish an FS Account relating to that Individual Client Account in accordance with this Procedure and upon satisfaction of the conditions in Rule 3A.10.1, which includes the requirement that the relevant Client Clearing Documents have been put in place for the protection of the Client.

3.2 An FS Account is an account in the name of the Clearing House maintained with an FS Custodian which facilitates the transfer of Collateral, in the form of FS Eligible Securities, in respect of Contracts entered into by the Clearing Member on behalf of a Client. The FS Account

will be opened in the name of the Clearing House but will reference the Clearing Member and Client to which it relates for identification purposes.

3.3 A Clearing Member may permit the Client to transfer FS Eligible Securities directly to the FS Account in satisfaction of the Clearing Member's Margin Requirement in respect of the relevant FS Individual Client Account. Such transfer will also satisfy the Client's obligations to deliver collateral to the Clearing Member under the Client Agreement. The delivery and satisfaction of obligations shall be in accordance with the Rules and the FS Documents.

3.4 To the extent FS Eligible Securities stand to the credit of the FS Account, the value assigned to such FS Eligible Securities by the Clearing House will satisfy the obligation of the Clearing Member to deliver an equivalent amount of Eligible Collateral to the Clearing House in respect of that FS Individual Client Account. If the value of the FS Eligible Securities standing to the credit of the FS Account is less than the Margin Requirement with respect to the relevant FS Individual Client Account, the Clearing Member shall transfer to the Clearing House the difference between the value of the FS Eligible Securities standing to the credit of the FS Account and the Margin Requirement with respect to the relevant FS Individual Client Account through the Settlement Cycle operated in accordance with the Rules.

3.5 Where required, the Clearing Member shall notify the Clearing House of the Agreed Amount from time to time. The Agreed Amount may be less than, equal to or greater than the Margin Requirement for the FS Individual Client Account. Any securities delivered to the FS Account which are not FS Eligible Securities will be valued by the Clearing House at zero.

3.6 The Clearing House shall grant Security over each FS Account to the FS Security Trustee who shall hold the benefit of such Security on trust for the Beneficiaries in accordance with the FS Security Trust Deed.

3.7 Where the Clearing House has been notified by the Clearing Member of the Agreed Amount, the Clearing House and/or the FS Custodian shall not permit FS Eligible Securities standing to the credit of an FS Account to be released from the FS Account if such release would result in the value of FS Eligible Securities credited to the FS Account being less than the Agreed Amount.

4 Establishment of an FS Account

4.1 The Clearing House may require the following FS Documents to be entered into:

Name of document	Parties	Purpose of document	Number required
FS Settlement Deed	Clearing House Clearing Member Client	Sets out (a) how parties communicate the Agreed Amount; (b) the arrangement for settlement of Clearing Member's Margin Requirement (i.e. that delivery of FS Eligible Securities by Client to Clearing House satisfies obligations to deliver collateral from Client to Clearing Member and Collateral from Clearing Member to Clearing House); (c) certain terms governing the management of collateral; (d) termination of the FS Account; and (e) that the Clearing Member and Client accede to FS Security Trust Deed	A separate FS Settlement Deed is needed for each Client
FS Security Trust Deed	Entered into between Clearing House and Security Trustee Each Clearing Member and Client must accede	Appoints Security Trustee to hold benefit of Security Interest over FS Accounts on trust for Beneficiaries	A single Security Trust Deed, with respect to one or more Security Interest Documents, to which each Clearing Member and Client that has an FS Account will accede through the FS Settlement Deed
FS Security Interest	Clearing House	Clearing House creates Security Interest over FS	A separate FS Security Interest Document

Name of document	Parties	Purpose of document	Number required
Document	FS Security Trustee	Accounts in favour of FS Security Trustee and sets out which obligations are being secured and the rights of the Security Trustee on enforcement	creating a Security Interest over all FS Accounts of each Clearing Member Other versions of this agreement governed by laws other than English law may be required where the FS Account is maintained outside England
FS Custody Agreement	Clearing House FS Custodian Clearing Member Client FS Security Trustee	Each of Clearing House and Client appoint FS Custodian to hold an FS Account for it and to transfer FS Eligible Securities between the accounts and the documents sets out how the FS Account will be operated along with the Terms and Conditions of the FS Custodian which set out the broader terms of the contractual relationship and the details of the operational procedures to be undertaken by the FS Custodian	A separate FS Custody Agreement is needed for each FS Custodian, Clearing Member and Client combination

5 Day to day operation of an FS Account

5.1 An FS Individual Client Account is operated by the Clearing House in the same way as a Client Account save as set out below. In particular, the use of an FS Account does not alter the obligations of the Clearing Member in relation to an FS Individual Client Account under the Rules.

5.2 The Clearing Member must notify the Clearing House of any amendment to the FS Eligible Securities and, if applicable, to the Agreed Amount and haircuts (each as notified to them in writing). The Clearing Member may not select as FS Eligible Securities any types of securities other than Eligible Securities and, where applicable, may not specify haircuts that are less than those applied by the Clearing House but may, subject to the Clearing House's concentration limits, limit the types of Eligible Securities and apply higher haircuts than those of the Clearing House. The Clearing House will notify the FS Custodian of any such amendments but they will not take effect until the FS Custodian is able to implement them in accordance with the relevant FS Custody Agreement.

5.3 In order to maintain FS Eligible Securities credited to the FS Account which are equal in value to the Agreed Amount, the FS Custodian will debit and credit, as appropriate, FS Eligible Securities from and to the Client Designated Account and the FS Account in order to maintain FS Eligible Securities of a value equal to the Agreed Amount credited to the FS Account, in accordance with the FS Custody Agreement.

5.4 Substitutions of FS Eligible Securities in the FS Account will be made in accordance with the FS Custody Agreement and/or the FS Settlement Deed.

5.5 FS Eligible Securities credited to the FS Account in respect of which a Distribution or corporate action is pending may be substituted for other FS Eligible Securities. The intention of the Clearing House, Clearing Member and Client are for all such FS Eligible Securities to be substituted. If any FS Eligible Security credited to the FS Account is subject to a Distribution or corporate action, it shall be dealt with in accordance with the FS Settlement Deed and the relevant FS Custody Agreement.

5.6 The Clearing House will only take into account FS Eligible Securities credited to the FS Account at the relevant time for the purposes of each Business Day's end of day Settlement Cycle. The Clearing House will call the balance, if any, between the value of the FS Eligible Securities credited to the FS Account and the Margin Requirement with respect to the relevant FS Individual Client Account from the Clearing Member's Settlement Bank. The Clearing Member may subsequently substitute Eligible Cash so provided with Eligible Securities in the normal way set out in Chapter 6 of the Rules and the Clearing and Settlement Procedure as if there was not an FS Account. Collateral received by the Clearing House in the normal way will be credited to a co-mingled custody account with one of the Clearing House's Custodians and not to the FS Account with an FS Custodian.

5.7 The Clearing House shall value the FS Eligible Securities in accordance with its normal arrangements as set out in Chapter 6 of the Rules and paragraph 11 of the Clearing and Settlement Procedure save where the Clearing House and the Clearing Member have agreed a different haircut in which case the higher haircut shall be applied.

5.8 If the value of the FS Eligible Securities standing to the credit of the FS Account when combined with other Collateral provided by the Clearing Member with respect to the relevant FS Individual Client Account is greater than the Margin Requirement, FS Eligible Securities equal in value to the excess the FS Custodian will release the relevant FS Eligible Securities from the FS Account and return them to the Client in accordance with the FS Custody Agreement.

6 Operation of an FS Account on a default

Client default

6.1 If a Clearing Member notifies the Clearing House of a default by a Client pursuant to the Client Agreement and at such time no Declaration of Default has been issued by the Clearing House with respect to such Clearing Member, the Clearing Member may either:

(a) request that the Clearing House enters into equal and opposite Contracts with it and offset all Contracts with the result that no further Contracts remain outstanding with respect to the relevant FS Individual Account and require the Clearing House to take steps to ensure that the FS Custodian transfers the FS Eligible Securities and any Eligible Cash standing to the credit of the FS Account to an account designated by it; or

(b) transfer the Contracts credited to the relevant FS Individual Client Account to the Clearing Member's House Account and require the Clearing House to take steps to ensure that the FS Custodian transfers the FS Eligible Securities and any Eligible Cash to the commingled custody account in the name of the Clearing House with a Custodian which holds Collateral relating to Clearing Member's House Accounts.

6.2 The Clearing House is entitled to rely and act on the notice given by the Clearing Member that the Client is in default and shall not be required to verify that this is the case.

Clearing Member default

6.3 If the Clearing House issues a Declaration of Default against a Clearing Member, the Clearing House shall follow the process set out in the Default Rules in relation to the FS Individual Client Account. The Clearing House may take steps to ensure that the FS Custodian liquidates all, or some of, the FS Eligible Securities in order to value them for the purposes of calculating any Portable Net Sum or Single Net Sum, as applicable, and to credit the proceeds of any such liquidation to the FS Account. With respect to the FS Individual Client Account, the Client may choose:

(a) to port its positions to one or more Adopting Clearing Members in accordance with Rule 8.4. Where the Adopting Clearing Member offers an FS Individual Client Account, whether with the same or another FS Custodian, it may be possible to transfer the FS Eligible Securities and cash to an FS Account referencing the Adopting Clearing Member

and the Client. However, it is likely that any FS Eligible Securities will have to be debited from the original FS Account before they can be credited to the FS Account referencing the Adopting Clearing Member and the Client. While the FS Eligible Securities are not credited to an FS Account, they are not subject to the Security Interest created by the FS Security Interest Document and their value will not be taken into account by the Clearing House in its calculations of the relevant Clearing Member's Margin Requirement. Therefore, either the Client or the Adopting Clearing Member may be required to transfer Eligible Securities or Eligible Cash to satisfy any outstanding Margin Requirement relating to the FS Individual Client Account. Where the Adopting Clearing Member does not offer an FS Individual Client Account, the value of the FS Eligible Securities standing to the credit of the FS Account will be credited to the Client Account of the Client with such Adopting Clearing Member and the FS Eligible Securities will be held by the Clearing House with a Custodian in the usual way; or

(b) not to port its positions. In such circumstance, the Single Net Sum relating to the FS Individual Client Account (if positive) shall be returned to the Client in accordance with Rule 8.5 and the FS Security Trustee acting on instructions given in accordance with the FS Security Trust Deed may instruct the FS Custodian to deliver to the Client or the Security Trustee (to hold on trust for the Client) FS Eligible Securities and cash credited to the FS Account to satisfy the Clearing House's obligation to deliver the Single Net Sum.

Clearing House default

6.4 If the Clearing House defaults pursuant to Rule 2.5 and it is an Enforcement Time, the Clearing House shall notify the FS Security Trustee and the FS Security Trustee shall act in accordance with the FS Security Trust Deed, which includes the requirement that the FS Security Trustee enforces the Security created by the FS Security Interest Documents against the assets credited to the FS Accounts. The FS Security Trustee is entitled to rely and act on the notice given by the Clearing House or the Bank of England that the Clearing House is in default and shall not be required to verify that this is the case. The FS Security Trustee may instruct the FS Custodian to liquidate all, or some, of the FS Eligible Securities and, to the extent that a Single Net Sum is owed to a Beneficiary, shall distribute FS Eligible Securities and cash to the relevant Beneficiaries in accordance with the FS Security Trust Deed and will instruct the FS Custodian accordingly.

7 Operation of the Swiss FS Account

7.1 In addition to the above provisions of this Fully Segregated Account Procedure, the following provisions relate only to Swiss FS Accounts.

7.2 Under the Swiss FS Collateral Management Agreement, the FS Eligible Securities transferred from a Client Designated Account to the relevant FS Account are not transferred by way of title transfer, but instead the Client grants two different Swiss law governed security interests to the Clearing House and the Clearing Member respectively. The Client grants to the Clearing House a first ranking security under Swiss law in the form of an irregular pledge (*gage irrégulier/irregulares Pfandrecht*) over the securities credited to the Swiss FS Account. This first ranking security secures liabilities owed by the Clearing Member to the Clearing House under the Rules. The Client grants to the Clearing Member a second ranking security under Swiss law in the form of an irregular deposit for security purposes (*consignation irréguliére á titre de sûreté/irregulare Sicherheitshinterlegung*) over securities credited to the Swiss FS Account, in effect over the claim of the Client against the Clearing House for the return of the FS Eligible Securities. This second ranking security secures liabilities owed by the Client to the Clearing Member under their contractual arrangements, as evidenced by the relevant Client Agreement. Both security interests involve a transfer of title over the securities credited to the Swiss FS Account to the Clearing House.

Client default

7.3 If the Clearing Member notifies the Clearing House of a default by the Client pursuant to the Client Agreement and at such time no Declaration of Default has been issued by the Clearing House with respect to such Clearing Member, the same options are available to the Clearing Member as set out in paragraph 6.1 above, save that the Clearing Member will need to enforce its security in order to gain control over the FS Eligible Assets. The Clearing Member may only enforce its security over the FS Eligible Assets with the consent of the Clearing House.

Clearing Member default

7.4 If the Clearing House issues a Declaration of Default against the Clearing Member, the Clearing House may enforce the irregular pledge over the assets credited to the FS Account in accordance with the Swiss FS Collateral Management Agreement and the FS Security Trust Deed and shall follow the procedure set out in paragraph 6.3 above. The parties have agreed in the Swiss FS Collateral Management Agreement that the Clearing Member's second ranking security shall terminate on Clearing Member default, regardless of whether the Client is in default at such time, and the security granted by the Clearing House to the FS Security Trustee shall terminate with respect to any assets which are no longer credited to an FS Account.

Clearing House default

7.5 If the Clearing House defaults pursuant to Rule 2.5, the provisions of paragraph 6.4 apply, save that the enforcement of the security granted by the Clearing House to the FS Security Trustee is subject to Swiss law.

Priority of the Swiss security on default

7.6 If it is an Enforcement Time and the Client and the Clearing Member are also in default at the same time, the security granted by the Clearing House to the FS Security Trustee is enforceable in priority to that granted by the Client to the Clearing House and the Clearing Member. Once such security has been enforced by the FS Security Trustee, there should not be any assets remaining credited to the FS Account.

7.7 If it is not an Enforcement Time, but the first ranking security granted by the Client to the Clearing House and the second ranking security granted by the Client to the Clearing Member are, the first ranking security has priority over the second ranking security, because the Clearing Member's second ranking security will terminate on default by the Clearing Member.

7.8 If it is not an Enforcement Time and the first ranking security granted by the Client to the Clearing House is also not enforceable, the Clearing Member may enforce the second ranking security granted to it by the Client provided the Clearing House agrees to such enforcement.

Options Contracts Procedure

1 Options with deliverables which are futures

Rights of call option purchaser

1.1 A Clearing Member who is a purchaser of a call option Contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to that Clearing Member a long futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the exercise, a Clearing Member who is a purchaser of a call option Contract may, at any time prior to the expiration of the option, engage in a closing sale transaction.

Rights of a call option seller

1.2 A Clearing Member who is the seller of a call option Contract in receipt of a notice of exercise shall automatically be assigned by the Clearing House a short futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the selling Clearing Member may, at any time prior to the receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.

Rights of put option purchaser

1.3 A Clearing Member who is a purchaser of a put option Contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to that Clearing Member a short futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of exercise, the purchasing Clearing Member may, at any time prior to the expiration of the option, engage in a closing sales transaction.

Rights of put option seller

1.4 A Clearing Member who is a seller of a put option Contact in receipt of a notice of exercise shall automatically be assigned by the Clearing House a long futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the selling Clearing Member may, at any time prior to receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.

Notice of Exercise

1.5 Unless otherwise specified in the Rules or relevant Contract Specification, a notice of exercise shall only be effective if it is delivered by the Clearing Member to the Clearing House no later than 16:30 hours, or 45 (forty-five) minutes after the price of the option being exercised or the underlying futures settlement price is posted, whichever is later, on any Business Day on which an option Contract may be exercised. Notice of exercise shall be given to the Clearing House in such form and manner as the Clearing House shall prescribe.

1.6 On the same day it receives a notice of exercise of an option Contract, the Clearing House shall assign the notice of exercise to a selling Clearing Member of an option Contract of the same series using one of methods described in section 2, and shall establish, by book entry to the relevant Account of the Clearing Members, Contracts in the underlying futures contract for both the purchasing and selling Clearing Members, the price of which shall be the exercised option's strike price. As soon as practicable, the Clearing House shall notify the selling Clearing Member of such exercise and assignment. The assigned Exchange Contracts shall be subject to the Rules applicable to such Exchange Contracts.

1.7 On the day a selling Clearing Member receives a notice of exercise from the Clearing House, the Clearing Member shall if relevant, as soon as practicable, report such notice to the short option Client to whose Account it is allocated. The selling Clearing Member shall make every effort to notify its short option Clients who have granted in-the-money options which have not been allocated a notice of exercise that the option was not exercised.

1.8 The Clearing House shall allocate notices of exercise in a series of options for any given day among Clearing Members holding short positions in the same series of options using one of methods described in section 2. Each Clearing Member which has options Client Accounts shall devise, maintain and follow written procedures, subject to the approval of the Clearing House, for the fair and non-preferential allocation of notices of exercise among its Clients.

1.9 Unless specified otherwise in the Rules or relevant Contract Specification, on the last day on which an option may be exercised, each option Contract held by a Clearing Member having an in-the-money value will be automatically exercised by the Clearing House unless the Clearing House receives written notification from the Clearing Member at such time as the Clearing House shall prescribe on the option's expiration date stating that the Clearing Member elects to abandon such option. The Clearing House shall make appropriate book entries and allocations for all options automatically exercised in accordance with this section 1.9.

1.10 For the purposes of the automatic exercise of options by the Clearing House, the in-the-money value of the option shall be based on the settlement price of the underlying futures contract on

the last day of trading in such option, or such other value as specified in the relevant Contract Specification.

1.11 An option for which the Clearing House has received written instructions to abandon by the time prescribed by the Clearing House on the last day for exercise of such option shall be deemed abandoned.

1.12 Each Clearing Member which has options held in Client Accounts shall exercise due diligence in monitoring such Accounts and obtaining instructions from Clients with respect to the handling and disposition of such options Contracts in such Accounts.

2 Option Assignment

2.1 The Clearing House shall assign the notice of exercise to a selling Clearing Member using one of the methods described in this section 2. The Clearing House shall advise Clearing Members of the method to be used in respect of each option product.

Random Assignment

2.2 Random assignment is so called because it entails sequential random draws on both sides of the process — long open interest being taken to exercise, and short open interest to which exercises will be assigned.

(a) Option Exercisers: The Clearing House begins by drawing randomly from a discrete uniform distribution defined across the option exerciser pool, i.e., all individual contracts in the pool of long open interest for a given option series which have been declared for exercise. Each option in the exerciser pool has equal probability of being drawn, irrespective of any other considerations — regardless of the clearing member firm at which the option is held, or the length of time for which the account holder making exercise has held the long position in the option series, or the Account of the Clearing Member, etc.

(a) Option Assignees: After an option has been drawn from the exerciser pool, the Clearing House draws randomly from a discrete uniform distribution defined across all individual contracts in the option's pool of short open interest. Here too, each option contract in the short open interest pool has equal probability of being chosen, irrespective of other considerations — regardless of the Clearing Member at which it is held, or the Account in which it is held, or the size or vintage of the short position of which it may be part, etc.

Pro Rata Assignment

2.3 For each Clearing Member taking a long option position to exercise, the pro rata method distributes that position among all clearing members that hold short open interest, deterministically and in proportion to each short Clearing Member's share of the total short open interest.

13 April 2016

CME CLEARING EUROPE LIMITED

CLEARING RULES

Last updated: 13 April 2016

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CHAPTER 1
DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, for all purposes of the Rules, the following words shall have the meanings specified:

Account means any or all of the House Accounts, Omnibus Client Accounts and Individual Client Accounts as the context requires;

Account Type means, with respect to a Clearing Member, all its Accounts which fall into any of the following categories:

(a) House Account;

(b) Individual Client Account; and

(c) Omnibus Client Account;

Adopting Clearing Member means, in relation to a Client, each Clearing Member which has agreed to accept any of the Contracts relating to the Client in accordance with Rule 3A.6 and, in the event of a Declaration of Default being issued to the Client's Clearing Member which is currently party to such Contract, Rule 8.4;

Affected Contract means each Contract to which a Defaulting Clearing Member is a party and any Corresponding Contract to such Contract to which the Defaulting Clearing Member is a party, and includes any Contract which arises as a result of the exercise of an option by the Clearing House pursuant to Rule 8.5.2;

Affected Contract Transfer has the meaning given in Rule 10.3.1(e);

Affected Party has the meaning given in Rule 2.9.1;

Affected Product Class means the Product Class:

(a) in respect of which the Clearing House determines that less than 25% (twenty five per cent.) of the Assessments relating to that Product Class remains or is likely to be available once the Clearing House has met its obligations arising from Contracts with non-defaulting Clearing Members of that relevant Product Class;

(b) to which a Planned Termination Event applies; or

(c) to which a Limited Recourse Termination Event applies;

Affiliate means, when applied to any person, any subsidiary undertaking or parent undertaking of that person and any subsidiary undertaking of any such parent undertaking, and the terms subsidiary undertaking and parent undertaking shall have the meanings given to them in section 1162 of the Companies Act 2006;

Affiliated Clearing Member has the meaning given in Rule 3.11.1;

Agent Bank means a bank at which the Clearing House maintains an account for the purposes of making or receiving currency payments in accordance with the FX Delivery Procedure, acting in its capacity as such;

Aggregate IRS Collect means the aggregate of all the IRS Collects with respect to IRS Accounts;

Aggregate IRS Pay means the aggregate of all the IRS Pays with respect to IRS Accounts;

Aggregate Seniorised Amount is an amount determined by the Clearing House in accordance with its default management processes;

Aggregate Standard Collect means the aggregate of all the Standard Collects with respect to Standard Accounts;

Aggregate Standard Pay means the aggregate of all the Standard Pays with respect to Standard Accounts;

Aggregate Subordinated Amount is an amount determined by the Clearing House in accordance with its default management processes;

Agreed Amount means, in relation to an FS Account and FS Individual Client Account, the amount agreed pursuant to the relevant FS Document;

Allocated IRS Pay means an IRS Pay as modified in accordance with Rules 8.6.4(b)(ii), 8.6.7, 8.10.6, 8.10.7 and/or 8.10.9;

Allocated Precious Metals Account means an account held with one of the members of LPMCL for the purposes of holding allocated Precious Metal and shall include any sub-account opened within it;

Allocated Standard Pay means a Standard Pay as modified in accordance with Rules 8.6.4(c)(ii), 8.6.7, 8.10.6, 8.10.7 and/or 8.10.9;

Allocated Pay means each of Allocated IRS Pay and Allocated Standard Pay;

Appeals Body has the meaning given in Rule 9.5.1;

Applicable Law means all law, statutory provisions and other rules, regulations and instruments in force from time to time, including the rules, guidance, principles and codes of practice of any Regulatory Authority or anything required by FATCA;

Assessments means amounts the Clearing House may assess with respect to Clearing Members in accordance with Rule 8.7 or the amount paid by a Clearing Member to satisfy such assessment, as the context requires, and includes all Eligible Assets comprising such Assessment and any rights relating to, and the proceeds of, any such Eligible Assets;

Bank Account means one or more bank accounts capable of holding Eligible Cash opened and maintained by the Clearing Member with a Settlement Bank for the purposes set out in Rule 4.2.2;

Bank of England means the Bank of England, including any successor body thereto;

Banking Day means any day on which banks in London are open for business;

Beneficiaries means each Beneficiary Clearing Member and each Beneficiary Client and the term **Beneficiary** shall refer to either one of them;

Beneficiary Clearing Member means a person:

(a) that is a Clearing Member;

(b) whose name is referenced in the name of an FS Account;

(c) who has executed an FS Settlement Deed; and

(d) who has been approved by the FS Security Trustee in accordance with clause 7.4 (Beneficiaries and FS Accounts) of the FS Security Trust Deed;

Beneficiary Client means a person:

(a) that is indicated as a Client in the books and records of the Clearing House;

(b) whose name is referenced in the name of an FS account;

(c) who has executed an FS Settlement Deed; and

who has been approved by the FS Security Trustee in accordance with clause 7.4 (Beneficiaries and FS Accounts) of the FS Security Trust Deed;

Beneficiary Group means, in relation to a Clearing Member:

(a) the Clearing Member; and

(b) every Client that has entered into an FS Settlement Deed with that Clearing Member;

Block Transaction means a block trade entered into and submitted to the Clearing House in accordance with the Exchange Rules;

Board of Directors means the Board of Directors of the Clearing House whose names have been submitted to Companies House as such from time to time;

Business Day means any day on which the Clearing House is open for business as set out on the Clearing House's Website or as communicated to Clearing Members from time to time by any other means;

Canadian Trade Repository means CME's Canadian Trade Repository (CTR), a Canadian designated and recognized trade repository serving the Manitoba, Ontario and Quebec provinces, operated by Chicago Mercantile Exchange Inc.;

Cash Collateral Return has the meaning given in Rule 10.3.1(k);

Cash Collateral Transfer has the meaning given in Rule 10.3.1(j);

Cash Reinvestment Agent has the meaning given in Rule 10.2;

Cash Reinvestment Agreement has the meaning given in Rule 10.1.1;

CCP Default IRS Interim Asset has the meaning given in Rule 2.5.6;

CCP Default IRS Interim Liability has the meaning given in Rule 2.5.6;

CCP Default Single Contract Net Sum has the meaning given in Rule 2.5.3;

CCP Default Single Net Sum means a Standard CCP Default Single Net Sum or an IRS CCP Default Single Net Sum;

CCP Default Standard Interim Asset has the meaning given in Rule 2.5.4;

CCP Default Standard Interim Liability has the meaning given in Rule 2.5.4;

CCP Regime means any resolution, insolvency or administration regime which is applied to the Clearing House in accordance with secondary legislation made under the Banking Act 2009;

CCP Withdrawal of Authorisation Event means the Clearing House has had its authorisation to provide Clearing Services withdrawn;

CEO means the chief executive officer of the Clearing House from time to time;

Chairman means the chairman of the Board of Directors from time to time;

Clearing and Settlement Procedure means the Clearing and Settlement Procedure in the Procedures;

Clearing House means CME Clearing Europe Limited;

Clearing House Complaint means a Complaint made by a Clearing Member that arises in connection with the performance of the Clearing House, or an alleged failure to perform any of the Clearing House functions so far as relating to the obligations to which it is subject under or by virtue of FSMA or to matters arising out of such obligations;

Clearing House Resources means, in relation to an obligation of any person, the Collateral, Guarantee Fund, Assessments and Optional Payments that are available or (in the reasonable opinion of the Clearing House) are likely to become available to be applied to satisfy such obligation in accordance with the Rules;

Clearing Member means any person that has been granted membership of the Clearing House pursuant to Chapter 3 and includes a Defaulting Clearing Member;

Clearing Member Complaint means a Complaint made by a Clearing Member that relates to the conduct or behaviour or other actions of another Clearing Member in relation to that Clearing Member's clearing activities with the Clearing House;

Clearing Member Common Data has the meaning given in Rule 12.1.2;

Clearing Member Counterparty Data has the meaning given in Rule 12.1.2;

Clearing Member Reports means reports made by the Clearing House to the Trade Repository on behalf of the Clearing Member in accordance with Rule 12.1.2;

Clearing Membership Agreement means the agreement of the same name entered into between the Clearing House and each Clearing Member setting out each party's obligations in respect of the services of the Clearing House;

Clearing Services means the services provided to Clearing Members by the Clearing House (acting in such capacity) as contemplated by the Rules;

Clearing System means the system (including hardware, software, website and networks) owned by or licensed to the Clearing House and used by the Clearing House for the provision of the Clearing Services;

Client means a person for which a Clearing Member clears Transactions through the Clearing House;

Client Account means each account opened for the Clearing Member in the books and records of the Clearing House in accordance with Rule 4.2.1 in respect of Contracts, and the Collateral relating to such Contracts, entered into by a Clearing Member on behalf of one or more Clients which the Clearing Member has requested the Clearing House to open and shall include an Omnibus Client Account and an Individual Client Account, save that for the purposes of the Client Protection Agreement and the Security Trust Deed and with respect to an Omnibus Client Account, the term "Client Account" shall be construed to mean the Notional Sub-Account within the Omnibus Client Account rather than the Omnibus Client Account itself;

Client Acknowledgement means the agreement referred to in Rule 3A.4.1 which is in the form prescribed by the Clearing House;

Client Agreement means an agreement between a Clearing Member and a Client in relation to the submission of Transactions by the Clearing Member to the Clearing House on behalf of the Client and which governs their respective rights and obligations in relation to Corresponding Transactions pursuant to Rule 3A.2;

Client Affected Contracts has the meaning given in Rule 3A.9.1;

Client Clearing Documents means each Client Protection Agreement, Client Agreement, Client Acknowledgment and document designated as a Client Clearing Document by the Clearing House;

Client Protection Agreement means the agreement referred to at Rule 3A.4.1(a) which is in the form prescribed by the Clearing House;

CLS Account means the account held by a Clearing Member, or accessed by a Clearing Member through a CLS member, for the purposes of making and receiving payments through the CLS System;

CLS Bank means CLS Bank International;

CLS System means the continuous linked settlement system provided by CLS Bank;

CME Europe Contract Module means any of the CME Europe Contract Modules set out on the Exchange Website from time to time;

CME Repository Services User Agreement means the agreement of the same name entered into between the Clearing Member and the Trade Repository in relation to the reporting of derivative trades in accordance with EMIR;

Collateral means:

(a) any Eligible Assets deposited with or delivered to the Clearing House in accordance with Chapter 6, the Clearing and Settlement Procedure and the Fully Segregated Account Procedure to meet a Collateral Requirement and in respect of which the Clearing House has not returned to the Clearing Member Equivalent Assets or other assets in accordance with the Rulebook;

(b) subject to Rules 8.3.10 and 8.4.23, any Excess Collateral in respect of which the Clearing House has not returned to the Clearing Member Equivalent Assets or other assets in accordance with the Rulebook;

(c) any other asset standing to the credit of the relevant Account of the Clearing Member which the Clearing House may reasonably consider to be Collateral; and

(d) where the context requires, any rights relating to, and the proceeds of, any assets referred to in subparagraphs (a), (b) and (c); and

(e) in any Rule (or other provision that uses this definition of Collateral) that contemplates Collateral being set off or aggregated with other assets or liabilities, the obligation of the Clearing House (including without limitation under Rule 3.10) to deliver Equivalent Collateral;

Collateral Requirement means, with respect to each Clearing Member, the amount of Eligible Assets which the Clearing House requires to be deposited with or delivered in respect of Margin Requirement and Variation Requirement in respect of each Account as set out in Chapter 6 and the Clearing and Settlement Procedure;

Collateral Value means at any time, in respect of Eligible Assets provided as Collateral by a Clearing Member in relation to a Clearing Member's Contracts, the value of such Eligible Assets as determined by the Clearing House in accordance with Rule 6.1.12 that are credited to the Clearing Member's Accounts;

Collect means a Clearing Member's obligation to pay an amount in respect of Variation Requirement to the Clearing House;

Committee means each committee of the Clearing House established for the purpose set out in the Rules;

Complaint means either or both of a Clearing House Complaint or a Clearing Member Complaint, as the context requires;

Complaints Procedure means the Complaints Procedure in the Procedures;

Contract means a contract entered into between the Clearing House and a Clearing Member pursuant to Rule 5.2;

Contract CM means a Clearing Member with its centre of main interests in England, Germany, Scotland, Sweden or any other jurisdiction as specified on the Website for such purpose;

Contract CM Client means a Client of a Contract CM;

Contract Module means the part of the Rules setting out the Contract Specifications and any additional provisions that apply in respect of a particular type of Transaction;

Contract Order has the meaning given in Rule 10.3.1(c);

Contract Specification means the part of the Contract Module setting out the terms of a particular type of Transaction;

Contract Transfer has the meaning given in Rule 10.3.1(d);

Contribution means either the amount that a Clearing Member is required to contribute to the relevant Guarantee Fund or the amount contributed by a Clearing Member to such Guarantee Fund, as the context requires, from time to time and includes all Eligible Assets comprising such Contribution and any rights relating to, and the proceeds of, any such Eligible Assets;

Cooling Off Period means a Standard Cooling Off Period or an IRS Cooling Off Period;

Corresponding Contract has the meaning given in the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001;

Corresponding Transaction means each transaction that is entered into between the Clearing Member and a Client with commercial terms which correspond to the commercial terms of a Contract cleared by the Clearing Member on behalf of a Client;

Custodian means an operator of a securities settlement system with which the Clearing House may deposit Collateral and/or Contributions, and/or Assessments

and/or Optional Payments made by the Clearing Member from time to time and shall, for the purposes of the Rules in Chapter 10, include an FS Custodian;

Custody Agreement has the meaning given in Rule 10.1.1;

Custody Cash Transfer has the meaning given in Rule 10.3.1(l);

Declaration of Default has the meaning given in Rule 8.2.1;

Defaulting Clearing Member means a Clearing Member on which the Clearing House has served a Declaration of Default in accordance with Rule 8.2.1;

Defaulting IRS Clearing Member means a Defaulting Clearing Member which is an IRS Clearing Member;

Default Management Overview Document means the default management overview document of the Clearing House as made available to each Clearing Member from time to time;

Default Management Service Provider means any person to which a Clearing Member delegates certain risk and default management activities in accordance with Rule 3.2.3 and may include another Clearing Member, an Affiliate of the Clearing Member or another Clearing Member and a Client of another Clearing Member but may not be a Client of the Clearing Member;

Defaulting Standard Clearing Member means a Defaulting Clearing Member which is a Standard Clearing Member;

Default Rules means Rule 2.5, the Rules in Chapter 8, paragraph 2.16 of the Risk Management Procedure and the Default Management Overview Document;

Defence has the meaning given in Rule 9.4.7;

Designated System has the meaning given in Rule 10.2;

Direct Debit Authority means a form of agreement which, when executed by the Clearing Member in favour of a Settlement Bank with which the Clearing Member has a Bank Account, gives authority to the Clearing House to provide instructions in relation to such Bank Account, in a form acceptable to the Clearing House;

Disciplinary Notice has the meaning given in Rule 9.4.6;

Disciplinary Panel has the meaning given in Rule 9.4.3;

Disciplinary Proceedings has the meaning given in Rule 9.4.1;

Distribution means at any time, in respect of an Eligible Security, all interest, dividends and other property actually received by the Clearing House in respect of such Eligible Security;

EFRP Transaction means an exchange for related position transaction (which includes an exchange for physical, an exchange for risk and an exchange of options for options) entered into on the Exchange in accordance with the Exchange Rules;

Eligible Assets means Eligible Cash, Eligible Securities and/or (as the context requires) Eligible Precious Metals or the proceeds of realisation of such Eligible Securities or Eligible Precious Metals;

Eligible Cash means cash in a currency which the Clearing House has determined to be eligible for depositing as Collateral as set out in the Clearing and Settlement Procedure and may include different currencies in respect of different categories of Contract;

Eligible Precious Metals means allocated Gold that the Clearing House has determined to be eligible for depositing as Collateral as set out in the Clearing and Settlement Procedure;

Eligible Security means a security that the Clearing House has determined to be eligible for depositing as Collateral as set out in the Clearing and Settlement Procedure and Eligible Securities shall be construed accordingly and may include different securities in respect of different categories of Contract;

Emergency Committee means the committee formed for the purpose set out in Rule 8.1.3;

Emergency Powers Committee means the Emergency Powers Committee of the Clearing House;

EMIR 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;

Encumbrance means any mortgage, charge, pledge, lien, option, restriction, right of set-off, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same);

Equivalent Assets means:

(a) in respect of Eligible Cash, Eligible Cash in the same currency;

(b) in respect of Eligible Securities, securities of the same type, nominal value, description and amount as the Eligible Securities or, if the Eligible Securities have been redeemed or undergone some other change after their transfer or delivery to the Clearing House, the proceeds of such redemption or other relevant asset; and

(c) in respect of Eligible Precious Metals, precious metals of the same type, nominal value, description and amount as the Eligible Precious Metals, or, if the Eligible Precious Metals have been redeemed or undergone some other change after their transfer to the Clearing House, the proceeds of such redemption or other relevant asset;

Equivalent Distribution means interest, dividends and other property of the same type, nominal value, description and amount as Distributions on Eligible Assets the value of which:

(a) is credited to any of the Clearing Member's Accounts as Collateral; and

(b) is comprised in the Clearing Member's Contribution and any Assessments and any Optional Payments the Clearing Member has provided to the Clearing House;

Euro means the common single currency of the member states of the European Union that have adopted and continue to retain such currency in accordance with European Treaty law (as amended from time to time);

Event of Default has the meaning given in Rule 8.1.1;

Excess Collateral means, in relation to an Account, such value of Eligible Assets provided to the Clearing House as Collateral which is greater than the higher of:

(a) Margin Requirement applicable to the Clearing Member in respect of the Account; and

(b) in relation to an FS Individual Client Account in respect of which the Agreed Amount has been notified to the Clearing House, the relevant Agreed Amount,

and, in each case, identified as Excess Collateral by the Clearing Member;

Exchange means CME Europe Limited;

Exchange Complaint has the meaning given to it in the Exchange Rules;

Exchange Contract means a Contract satisfying a Contract Specification contained in the CME Europe Contract Module;

Exchange Rules means the rules of the Exchange;

Exchange Transaction means a Transaction that is entered into on the Exchange in accordance with the Exchange Rules;

Exchange Website means the Exchange's website at www.cmeeurope.com;

FATCA means:

(a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction;

FCA means the Financial Conduct Authority, including any successor body thereto;

Fees and Charges Notice means the Notice setting out the fees and charges of the Clearing House from time to time;

Force Majeure Event means any event outside the control of the Clearing House or the Clearing Member, as the case may be, which hinders or prevents the performance in whole or in part of any of its obligations under these Rules (other than an obligation of a Clearing Member to make payments which, for the avoidance of doubt, includes the provision of Collateral, Contributions and Assessments, unless the circumstances which constitute the event also prevent the Clearing House from making any payment required under the Rules or from having such payment made on its behalf in accordance with the Rules) including any breakdown, delay, malfunction or failure of transmission, communication or computer facilities or other systems or software, industrial action, act of terrorism, civil unrest, embargoes, strike, lack of energy supply, act of God, change in the Applicable Law or act and requirement of any Regulatory Authority or the failure by a Settlement Bank or Custodian or other provider of services on which the Clearing House relies for any reason, to perform its obligations;

FS Account means an account in the name of the Clearing House opened with an FS Custodian for the purpose of facilitating the transfer of FS Eligible Securities and will be designated in respect of a Clearing Member and Client;

FS Custodian means each Custodian which the Clearing House appoints as custodian in respect of an FS Account;

FS Custody Agreement means each bilateral or multi-party custody agreement entered into by, inter alia, the Clearing House and an FS Custodian in respect of FS Accounts;

FS Documents means any or all (as the context may require) of those agreements listed as FS Documents in the Fully Segregated Procedure and each document designated as an FS Document by the Clearing House;

FS Eligible Securities means any securities which are Eligible Securities save for those that the Clearing Member notifies the Clearing House as not being acceptable pursuant to the terms of the Client Agreement;

FS Individual Client Account has the meaning given in Rule 3A.10.2;

FS Security Interest Document means a document under which the Clearing House grants a Security Interest over FS Accounts in favour of the FS Security Trustee;

FS Security Trust Deed means the security trust deed made between the Clearing House and the FS Security Trustee;

FS Security Trustee means each security trustee which CMECE appoints as security trustee to hold the benefit of a Security Interest over an FS Account;

FS Settlement Deed means a deed entered into between the Clearing House, a Beneficiary Clearing Member and a Beneficiary Client in which the communication of the Agreed Amount and the delivery of FS Eligible Securities is agreed and each Beneficiary agrees to be bound by all obligations, authorisations and waivers applicable to Beneficiaries under this Deed;

FSMA means the Financial Services and Markets Act 2000;

Fully Segregated Account Procedure means the Fully Segregated Account Procedure in the Procedures;

FX Contract means any Standard Contract which provides for the exchange of currencies;

FX Delivery Procedure means the FX Delivery Procedure in the Procedures;

FX Obligation has the meaning given in Rule 11.4.1;

Gold means either allocated or unallocated gold complying with the rules of the London Bullion Market Association relating to good delivery and fineness in effect from time to time as the context requires;

Guarantee Fund means either the Standard Guarantee Fund or the IRS Guarantee Fund, as applicable, and Guarantee Funds means both;

Guarantee Fund Procedure means the Guarantee Fund Procedure in the Procedures;

Guarantor means any person that provides a guarantee to the Clearing House in respect of the Clearing Member's obligations under the Rules;

House Account means the Standard House Account and/or the IRS House Account as the context requires;

Indirect Client Account has the meaning given in Rule 3A.8.1;

Individual Client Account means a Standard Individual Client Account and/or an IRS Individual Client Account as the context requires;

Insolvency Event means, in relation to a person, that the person ceases to trade, or is unable to pay its debts as they fall due or has a petition presented or a meeting convened for the purpose of its winding up (provided that such petition is not merely frivolous) or if it enters into liquidation whether compulsorily or voluntarily or compounds with its creditors generally or an administration order is made in relation to it or it has a receiver or administrative receiver appointed over all or a substantial part of its assets or distraint is levied over any of its assets or any similar or analogous order is made or proceeding is commenced or officer is appointed or action is taken in the United Kingdom or in any jurisdiction outside the United Kingdom in consequence of debt;

Investigation has the meaning given in Rule 9.2.1;

Investigation Notice has the meaning given in Rule 9.3.1;

Investment Agent means the agent used to invest Eligible Cash received as Collateral in accordance with the Clearing House's investment policy;

Investment Loss means any loss or diminution in the value of, or depreciation that has occurred in or in connection with, any Collateral, Contributions, Assessments or

Optional Payments received by the Clearing House as Eligible Cash as a result of any investment of such cash made by the Clearing House or on its behalf (including, without limitation, by an Investment Agent) but shall not include any losses that might arise as a result of a default (including, without limitation, fraud, negligence, wilful default or the occurrence of an Insolvency Event) with respect to:

(a) a central securities depositary or securities settlement system; and/or

(b) a Custodian, Settlement Bank, Settlement Agent for Precious Metals or Agent Bank;

    (i) which has been selected by the Clearing House following consultation with the Risk Committee and approval by the Board of Directors; and

    (ii) which is monitored by the Clearing House in accordance with its normal procedures as consulted on with the Risk Committee.

Invoice Back or **Invoicing Back** means creating a Contract (the **Invoiced Back Contract**) that is on identical terms to an existing Contract save:

(a) that if the Clearing Member is the buyer under the existing Contract, it will be the seller under the Invoiced Back Contract and vice versa; and

(b) either:

    (i) in relation to Standard Contracts, that the Clearing House may, acting in a commercially reasonable manner, determine any term of the Invoiced Back Contract including price; or

    (ii) in relation to IRS Contracts, that the Clearing House may, acting in a commercially reasonable manner, determine any term of the Invoiced Back Contract provided that the price is determined on the basis of the then current valuation methodology of the Clearing House, which has been pre-approved by the Risk Committee;

IRS Account means an IRS House Account, an IRS Individual Client Account, an IRS Omnibus Client Account or an IRS Notional Sub-Account;

IRS Active Default Committee has the meaning given to it in the terms of reference of the IRS Default Management Committee;

IRS Assessment means an Assessment made with respect to an IRS Clearing Member in accordance with Rule 8.7.3;

IRS CCP Default Single Net Sum has the meaning given to it in Rule 2.5.9;

IRS Clearing Member means a Clearing Member that has been accepted by the Clearing House as an IRS Clearing Member and remains as such and that may only enter into IRS Contracts pursuant to such status;

IRS Collateral means Collateral relating to an IRS Contract;

IRS Collect means a Collect relating to an IRS Account;

IRS Contract means a Contract satisfying a Contract Specification contained in the Contract Module for OTC IRS Contracts;

IRS Contribution Formula means an IRS Clearing Member's share of the total potential residual loss based on a 30-day trailing average, weighted at 90% (ninety per cent.), and its share of total gross notional open interest at the Clearing House based on the 30-day trailing average, weighted at 10% (ten per cent.), in each case in respect of IRS Contracts;

IRS Cooling Off Period means the period starting on the date of the first IRS Declaration of Default and ending on:

(a) if there are no further IRS Declarations of Default during the 25 (twenty five) Business Days following the original IRS Declaration of Default, the 25th Business Day after the date of the original IRS Declaration of Default, and

(b) if one or more IRS Declarations of Default are issued during the 25 (twenty five) Business Days following the first IRS Declaration of Default or any subsequent IRS Declaration of Default during the 25 Business Days following any such previous IRS Declaration of Default, the 25th Business Day following the issuance of the last IRS Declaration of Default regardless of the number of IRS Declarations of Default that may be issued during such period;

IRS Default Management Committee means the IRS Default Management Committee established by the Clearing House acting in accordance with the terms of reference for the IRS Default Management Committee;

IRS Declaration of Default means a Declaration of Default in relation to which at least one Affected Contract is an IRS Contract;

IRS Emergency Powers Committee means the IRS Emergency Powers Committee of the Clearing House from time to time acting in accordance with its terms of reference;

IRS Guarantee Fund means the fund established by the Clearing House in relation to IRS Contracts pursuant to Chapter 7;

IRS House Account means the account opened for the Clearing Member in the books and records of the Clearing House in accordance with Rule 4.2.1 in respect of all IRS Contracts other than the IRS Contracts recorded in any Client Account and the Collateral relating to such IRS Contracts;

IRS Individual Client Account means a Client Account which relates to IRS Contracts entered into by an IRS Clearing Member on behalf of a single Client;

IRS Interim Asset has the meaning given to it in Rule 8.5.4;

IRS Interim Liability has the meaning given to it in Rule 8.5.4;

IRS Membership Termination Date means:

(a) in relation to a termination pursuant to Rule 3.8.1, the date of the first reassessment of the IRS Clearing Members' Contributions after the Clearing House is reasonably satisfied that the IRS Clearing Member has fully discharged all its obligations in respect of its membership as an IRS Clearing Member under the Rules and ceased to be a party to any IRS Contract following the giving or receiving of a notice, in accordance with Rule 3.8.1, to terminate the membership of such IRS Clearing Member and which is notified to the IRS Clearing Member as its membership termination date (it being acknowledged that the IRS Clearing Member will not be required to discharge any obligation in relation to the provision of any Contribution that would otherwise be reassessed to the IRS Clearing Member on such date); and

(b) in relation to a termination pursuant to Rule 8.8, the Business Day immediately following the Cooling Off Period during which the IRS Clearing Member gave notice pursuant to Rule 8.8.1 provided that by such date the IRS Clearing Member has ceased to be a party to any IRS Contract, otherwise it will be such Business Day following the relevant Cooling Off Period on which the Clearing House is reasonably satisfied that the IRS Clearing Member has ceased to be a party to any IRS Contract, and such date will be notified to the IRS Clearing Member as its membership termination date;

IRS Notional Sub-Account means with respect to an IRS Omnibus Client Account, a notional sub-account which relates to:

(a) IRS Contracts if any entered into by an IRS Clearing Member on behalf of one Client within that IRS Omnibus Client Account; or

(b) IRS Contracts, if any, entered into by an IRS Clearing Member on behalf of one or more Clients within that IRS Omnibus Client Account which the Clearing House cannot identify as relating to a particular Client;

IRS Omnibus Client Account means a Client Account which relates to IRS Contracts entered into by an IRS Clearing Member on behalf of more than one Client;

IRS Optional Payment means an Optional Payment relating to an IRS Clearing Member's IRS Contracts;

IRS Pay means a Pay relating to an IRS Account;

IRS Planned Termination Event means the Clearing House, in consultation with the Risk Committee, on not less than 90 (ninety) days' written notice to all IRS Clearing Members, decides for any reason to terminate all IRS Contracts;

IRS Portable Interim Asset has the meaning given to it in Rule 8.4.9;

IRS Portable Interim Liability has the meaning given to it in Rule 8.4.9;

IRS Shortfall means, at any time, the amount (if any) by which;

(a) the Aggregate IRS Collects received by the Clearing House

are less than

(b) the Aggregate IRS Pays paid by the Clearing House,

or (if the steps under Rule 8.10 have not been completed at such time) the amount that the Clearing House determines would have been the relevant shortfall if the steps under Rule 8.10 had been completed at that time;

IRS Single Net Sum has the meaning given to it in Rule 8.5.6;

IRS Variation Margin Requirement Haircut has the meaning given to it in Rule 8.6.4(b)(i);

LIBOR means the London Interbank Offered Rate;

Liquidation Test means either:

(a) subject to a cap of 2 (two) days for Exchange Contracts and 7 (seven) days for all other Contracts, if the change in Variation Requirement is greater than the Related Risk; or

(b) subject to a cap of 2 (two) days for all types of Contract, if the change in Collateral Requirement is greater than the Related Risk;

Limited Recourse Termination Event means that the Clearing House determines:

(a) after consultation with the Risk Committee; and

(b) with approval by the Board of Directors,

that but for the effect of Rules 2.4, 8.6.3 and 8.10.11 (and any other Rule which has comparable effect to limited recourse and Variation Requirement haircutting), the relevant Clearing House Resources have been exhausted, or are or would be very likely to be insufficient:

(i) to satisfy all obligations, losses, costs and expenses of the Clearing House in relation to all Contracts in a Product Class; or

(ii) to satisfy a Shortfall.

LPMCL means London Precious Metals Clearing Limited;

Major Investment Loss has the meaning given in Rule 2.3.5(j);

Margin Requirement means the amount of Eligible Assets required by the Clearing House to be deposited with it as Collateral in respect of each Account to reflect the market risk that could materialise in the event of a Declaration of Default in relation to the Clearing Member and, in the case of an FX Contract, the liquidity risk relating to that Clearing Member;

Matching Collateral means Eligible Cash Collateral in the same currency as the relevant FX Obligation of the Defaulting Clearing Member;

Maximum Recovery Share has the meaning given in Rule 2.3.12(a);

Maximum Share has the meaning given in Rule 2.3.11(a)(i);

Membership Category has the meaning given to it in Rule 3.1.2;

Membership Criteria means the criteria set out in Rule 3.2 and any additional or alternative criteria applied to the relevant Membership Category or types of Transaction pursuant to Rule 3.1.2;

Membership Procedure means the Membership Procedure in the Procedures;

Membership Termination Date means either a Standard Membership Termination Date or an IRS Membership Termination Date as the context requires;

Net Settlement Amount has the meaning set out in Rule 6.1.5;

Nominee has the meaning set out in Rule 3.2.1(l);

Notice means any Notice published by the Clearing House as such;

Notional Sub-Account means a Standard Notional Sub-Account and/or an IRS Notional Sub-Account as the context requires;

Omnibus Client Account means a Standard Omnibus Client Account and/or an IRS Omnibus Client Account as the context requires;

Opening Hours means the hours during which the Clearing House is open for operations as set out on the Clearing House's Website or as communicated to Clearing Members from time to time by any other means;

Optional Payment has the meaning given to it in Rule 8.6.5;

OTC Transaction means a Transaction other than an Exchange Transaction;

Paired FX Obligation means any FX Obligations between the Defaulting Clearing Member and any one or more non-defaulting Clearing Members to settle all or any part of their FX Obligations;

Palladium means unallocated palladium complying with the rules of the London Platinum and Palladium Market Association relating to good delivery in effect from time to time as the context requires;

Parent Undertaking has the meaning given in section 1162 of the Companies Act 2006;

Participant has the meaning given in Rule 10.2;

Participant Clearing Firm means a firm that has been approved by the Risk Committee and the Board of Directors pursuant to Rule 3.1.1 which satisfies the Membership Criteria save for Rule 3.2.1(h);

Pay means the Clearing House's obligation to pay an amount in respect of Variation Requirement to a Clearing Member;

Payment has the meaning given in Rule 10.3.1(i);

Payment Transfer Order has the meaning given in Rule 10.2;

Payment Type means payment relating to any one of the following:

(a) Variation Requirement; and

(b) Margin Requirement;

Planned Termination Event means the Clearing House, in consultation with the Risk Committee, on not less than 90 (ninety) days' written notice to all relevant Clearing Members, decides for any reason to terminate all Contracts of the Affected Product Class;

Platinum means unallocated platinum complying with the rules of the London Platinum and Palladium Market Association from time to time as the context requires;

Portable Contract Net Sum has the meaning given to it in Rule 8.4.7;

Portable Net Sum has the meaning given to it in Rules 8.4.10 and 8.4.11;

Porting Period means the applicable period set out in the third column of the table in Rule 8.4.1;

Position Limit means a limit set by, as the context requires, either the Clearing House, the Exchange or a Regulatory Authority on the risk exposure of Contracts existing between a Clearing Member and the Clearing House;

Precious Metal means Gold, Silver, Platinum and Palladium;

Precious Metal Forward Contracts means OTC precious metal forward contracts as set out in the Contract Module from time to time;

Procedures means the procedures of the Clearing House published as such;

Product Class means, as the context requires, all IRS Contracts, all Standard Contracts or all Contracts;

Receipt has the meaning given in Rule 10.3.1(h);

Recipient has the meaning given it in Rule 6.3.9;

Recovered Amount has the meaning given in Rule 2.3.12;

Regulatory Authority means any relevant government entity or other authority, in any jurisdiction, which is responsible for authorising, supervising or otherwise regulating

any part of the Clearing House or its services or the Clearing Member or its business, as appropriate, or has any other regulatory, investigative, administrative or quasi-judicial jurisdiction, power or other similar function in relation to any part of the Clearing House or its services or the Clearing Member or its business, as appropriate;

Reinvestment Cash Transfer has the meaning given in Rule 10.3.1(m);

Related Risk means the risk over the relevant period relative to the timing associated with the applicable Variation Requirement;

Relevant Currency has the meaning given in Rule 2.3.11(a);

Relevant FX Clearing Member means a Clearing Member that owes and/or is owed a FX Obligation to and/or by a Defaulting Clearing Member;

Relevant Payment System means CHAPS, TARGET2, Fedwire or any other payment system approved by the Clearing House;

Replacement Cost has the meaning given in Rule 11.6.3;

Replacement Transaction has the meaning given in Rule 11.7.6;

Reporting Switch-On Date has the meaning given in Rule 12.2.1;

Reporting Switch-Off Date has the meaning given in Rule 12.2.2;

Representative means, when applied to any person, any person which carries out or is responsible for any of its functions and shall include each director, officer, employee or agent of such person;

Risk Committee means the Risk Committee of the Clearing House from time to time;

Risk Management Procedure means the Risk Management Procedure in the Procedures;

Rulebook means the rules of the Clearing House as set out herein as they may be amended from time to time;

Rules means:

(a) where used in reference to one or more provisions of the Rulebook, those provisions of the Rulebook; or

(b) otherwise, the Rulebook, the Contract Modules, Procedures and any Notices issued pursuant to the Rulebook and, for the purposes of any Rules concerning

non-compliance with or breach of or failure to discharge any of the Rules, shall include the provisions of the Clearing Membership Agreement

each as amended from time to time;

Securities has the meaning given in Rule 10.2;

Securities Collateral Return has the meaning given in Rule 10.3.1(g);

Securities Collateral Transfer has the meaning given in Rule 10.3.1(m);

Securities Return has the meaning given in Rule 10.3.1(b);

Securities Substitution has the meaning given in Rule 10.3.1(a);

Securities Transfer Order has the meaning given in Rule 10.2;

Security CM means a Clearing Member that is not a Contract CM;

Security Interest means any mortgage, charge, pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind created over an FS Account in accordance with the law applicable to the FS Account;

Security Trustee means the security trustee who holds on trust the assets assigned to it by way of a Client Protection Agreement on behalf of a class of Clients, each of whom has elected to benefit from such trust in its Client Acknowledgement;

Security Trust Deed means the deed referred to at Rule 3A.4.1 which is in the form prescribed by the Clearing House;

Settlement Agent for Precious Metals means a bank which is a member of the LPMCL and acts as a settlement and custodian bank in relation to the delivery and safekeeping of allocated or unallocated Precious Metal (as the context requires), acting in its capacity as such;

Settlement Bank means a bank which has been approved by the Clearing House to receive Eligible Cash into and pay Eligible Cash from a Bank Account, for the purposes of the Rules, acting in its capacity as such;

Settlement Bank Agreement has the meaning given in Rule 10.1.1;

Settlement Cycle has the meaning given to it in Rule 6.1.6 and, in relation to Rule 8.10 only, also includes any other determination of the Clearing House in relation to the rights and obligations of each Clearing Member under Rule 8.10;

Settlement Deadline means 24 hours from the Step-in Time;

Settlement Finality Regulations has the meaning given in Rule 10.1.1;

Settlement Finality Rules has the meaning given in Rule 10.1.1;

Shortfall means, at any time, the amount (if any) by which with respect to the relevant Product Class;

(a) the Aggregate IRS Collects or Aggregate Standard Collects (as applicable) of such Product Class received by the Clearing House

are less than

(b) the Aggregate IRS Pays or Aggregate Standard Pays (as applicable) of such Product Class to be paid by the Clearing House,

or (if the steps under Rule 8.10 have not been completed at such time) the amount that the Clearing House determines would have been the relevant shortfall if the steps under Rule 8.10 had been completed at that time;

Silver means unallocated silver complying with the rules of the London Bullion Market Association relating to good delivery in effect from time to time as the context requires

Single Net Sum means a Standard Single Net Sum or an IRS Single Net Sum, or, in relation to a Client Protection Agreement and/or an FS Document, a CCP Default Single Net Sum;

Standard Account means a Standard House Account, a Standard Omnibus Client Account, a Standard Individual Client Account or a Standard Notional Sub-Account;

Standard Assessment means an Assessment with respect to a Standard Clearing Member in accordance with Rule 8.7.1;

Standard CCP Default Single Net Sum has the meaning given to it in Rule 2.5.8;

Standard Clearing Member means a Clearing Member that has been accepted by the Clearing House as a Standard Clearing Member and remains as such and that may only enter into Standard Contracts;

Standard Collateral means Collateral relating to a Standard Contract;

Standard Collect means a Collect relating to a Standard Account;

Standard Contract means a Contract satisfying a Contract Specification contained in a Contract Module for Contracts other than IRS Contracts;

Standard Contribution Formula means a Standard Clearing Member's share of the average daily Margin Requirement for all Standard Clearing Member's in the previous quarter, weighted at 85% (eighty five per cent.), and its share of gross volume in the previous quarter, weighted at 15% (fifteen per cent.), in each case in respect of Standard Contracts;

Standard Cooling Off Period means the period starting on the date of the first Standard Declaration of Default and ending on:

(a) if there are no further Standard Declarations of Default during the 5 (five) Business Days following the original Standard Declaration of Default, the fifth Business Day after the date of the original Standard Declaration of Default, and

(b) if one or more Standard Declarations of Default are issued during the 5 (five) Business Days following the first Standard Declaration of Default, or any subsequent Standard Declaration of Default issued during the 5 (five) Business Days following any such previous Standard Declaration of Default, the fifth Business Day following the issuance of the last such Standard Declaration of Default regardless of the number of Standard Declarations of Default that may be issued during such period;

Standard Declaration of Default means a Declaration of Default in relation to which at least one Affected Contract is a Standard Contract;

Standard Emergency Powers Committee means the Standard Emergency Powers Committee of the Clearing House from time to time acting in accordance with its terms of reference;

Standard Guarantee Fund means the fund established by the Clearing House in respect of Standard Contracts pursuant to Chapter 7;

Standard House Account means the account opened for the Clearing Member in the books and records of the Clearing House in accordance with Rule 4.2.1 in respect of all Standard Contracts other than the Contracts recorded in any Client Account and the Collateral relating to such Standard Contracts;

Standard Individual Client Account means a Client Account which relates to Standard Contracts entered into by a Standard Clearing Member on behalf of a single Client;

Standard Interim Asset has the meaning given in Rule 8.5.3

Standard Interim Liability has the meaning given in Rule 8.5.3;

Standard Membership Termination Date means:

(a) in relation to a termination pursuant to Rule 3.8.1, the date of the first reassessment of the Standard Clearing Members' Contributions after the Clearing House is reasonably satisfied that the Standard Clearing Member has fully discharged all its obligations in respect of its membership as a Standard Clearing Member under the Rules and ceased to be a party to any Standard Contract following the giving or receiving of a notice in accordance with Rule 3.8.1 to terminate the membership of such Standard Clearing Member and which is notified to the Standard Clearing Member as its membership termination date (it being acknowledged that the Standard Clearing Member will not be required to discharge any obligation in relation to the provision of any Contribution that would otherwise be reassessed to the Standard Clearing Member on such date); and

(b) in relation to a termination pursuant to Rule 8.8, the Business Day immediately following the Cooling Off Period during which the Standard Clearing Member gave notice pursuant to Rule 8.8.1 provided that by such date the Standard Clearing Member has ceased to be a party to any Standard Contract, otherwise it will be such Business Day following the relevant Cooling Off Period on which the Clearing House is reasonably satisfied that the Standard Clearing Member has ceased to be a party to any Standard Contract and such date will be notified to the Standard Clearing Member as its membership termination date;

Standard Notional Sub-Account means, with respect to a Standard Omnibus Client Account, a notional sub-account which relates to:

(a) Standard Contracts entered into by a Standard Clearing Member on behalf of one Client only within that Standard Omnibus Client Account; or

(b) Standard Contracts, if any, entered into by a Standard Clearing Member on behalf of one or more Clients within that Standard Omnibus Client Account which the Clearing House cannot identify as relating to a particular Client;

Standard Omnibus Client Account means a Client Account which relates to Standard Contracts entered into by a Standard Clearing Member on behalf of more than one Client;

Standard Optional Payment means an Optional Payment relating to a Standard Clearing Member's Standard Contracts;

Standard Pay means a Pay relating to a Standard Account;

Standard Portable Interim Asset has the meaning given to it in Rule 8.4.9;

Standard Portable Interim Liability has the meaning given to it in Rule 8.4.9;

Standard Single Net Sum has the meaning given to it in Rule 8.5.5;

Standard Variation Margin Requirement Haircut has the meaning given to it in Rule 8.6.4(c)(i);

Step-in Time has the meaning given in Rule 11.7.3;

Stress Test Methodology means a model used by the Clearing House which estimates losses following default by various IRS Clearing Members and which assumes Defaulting IRS Clearing Members fail to make further Contributions or such other model as may be selected by the Risk Committee from time to time;

Subordinated Bidder means a category 1 bidder or a category 2 bidder both as determined by the Clearing House in accordance with its default management procedures;

Swiss Collateral Management Agreement means, in relation to a Clearing Member and a Client, the collateral management agreement entered into between the Clearing House, the Clearing Member, the Client and a Swiss FS Custodian in relation to Swiss FS Accounts;

Swiss FS Custodian means an FS Custodian incorporated under the laws of Switzerland;

Swiss FS Account means an FS Account opened with an FS Custodian incorporated in Switzerland;

Temporary Contract means, in relation to a Defaulting Clearing Member, a Relevant FX Clearing Member and the Unsettled FX Obligations between them, a Contract between the Clearing House and the Relevant FX Clearing Member on the same terms as the Unsettled FX Obligations, except that the Clearing House is a party instead of the Defaulting Clearing Member;

Termination Date means the Business Day immediately following the date on which the Clearing House enters into liquidation or administration or following a payment default by the Clearing House under Rule 2.5.1(c);

Termination Swap means, in relation to a Temporary Contract, a Contract with delivery obligations that are opposite to those in the Temporary Contract;

Third Party Trade Delegate means a Person, in its capacity as a broker, authorised by the Clearing Member to the Clearing House to submit Transactions to the Clearing House on behalf of a Clearing Member and/or a Client;

TR Rulebook means the rules of the Trade Repository as amended from time to time;

Trade Repository means CME Trade Repository Limited;

Transaction means:

(a) a transaction entered into by two Clearing Members, each Clearing Member acting on its own account;

(b) a transaction that is deemed to exist between two Clearing Members on the submission to the Clearing System of matching details of an actual transaction entered into between a Client of each Clearing Member or one of the Clearing Members and a Client of the other; or

(c) a transaction that is deemed to exist on the submission to the Clearing System of matching details of a transaction entered into between a Clearing Member acting on behalf of a Client and the same Clearing Member acting on its own account or on behalf of another Client

in each case, which satisfies the terms of a Contract Specification;

Transaction Manager has the meaning set out in Rule 3.2.1(m);

Transfer Order has the meaning given in Rule 10.2;

Transferee Clearing Member has the meaning given in Rule 3A.6.1;

Transferor has the meaning given in Rule 6.3.9;

Transferor Clearing Member has the meaning given in Rule 3A.6.1;

Unallocated Precious Metals Account means an account held with one of the members of LPMCL for the purposes of holding unallocated Precious Metal and shall include any sub-account opened within it;

Unsettled FX Obligations means FX Obligations that are still outstanding after the steps under Rule 11.7.5 (a) to (c) have occurred;

User Licence Agreement means the agreement of the same name entered into between the Clearing House and each Clearing Member;

Variation Requirement means, at any time, the amount of Eligible Assets payable as Collateral to the Clearing House, or the amount payable to the Clearing Member, in accordance with Rule 6.1.3 in respect of each Account to reflect the marking to market of the Contracts relating to that Account including any final settlement amounts;

VM Haircut Settlement Cycle has the meaning given to it in Rule 8.6.4;

Winning Bidder is the winning bidder, as determined by the Clearing House in accordance with its default management processes, in an auction held by the Clearing House as part of its default management processes; and

Website means the Clearing House's website at www.cmeclearingeurope.com.

1.2 In the Rules unless otherwise specified:

1.2.1 the table of contents and the headings are inserted for convenience only and do not affect the interpretation of the Rules;

1.2.2 references to Chapters are to the chapters of this Rulebook;

1.2.3 references to Rules are to the Rules or any particular one of the Rules;

1.2.4 references to any document are to that document as from time to time amended, restated, novated or replaced, however fundamentally;

1.2.5 references to a person include an individual, partnership, company, corporation, unincorporated body of persons and any government entity;

1.2.6 references to any statute or statutory provision include any subordinate legislation made under it;

1.2.7 references to any statute or statutory provision include any provision amending it or re-enacting it (whether with or without modification) which is the same as, or substantially similar to, the obligations imposed by the specified statute or statutory provision;

1.2.8 references to time are to London time unless otherwise specified and are set out in the 24 hour clock convention;

1.2.9 words importing the plural include the singular and vice versa and the use of any gender includes the other gender;

1.2.10 the words other, including and in particular shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible;

1.2.11 any reference to the discretion exercised by the Clearing House shall mean the Clearing House's sole, unfettered and absolute discretion; and

1.2.12 references to a negative sum means a sum due from a Defaulting Clearing Member and a positive sum means a sum due to a Defaulting Clearing Member.

1.3 Any sum calculated under Rule 2.5 (*Clearing House Insolvency*) or Chapter 8 (*Default*) as a result of netting or setting off amounts or applying amounts against each other is not a new obligation but the aggregate or reduction of existing obligations between the Clearing Member and the Clearing House in accordance with the relevant Rule.

1.4 References to "expiration" and "expiry" in Chapter 11 shall be construed in accordance with Rule 11.4.2.

1.5 The Board of Directors of the Clearing House shall have the authority to interpret the Rules. Save as otherwise provided, any such interpretations shall be final and conclusive.

1.6 This Rulebook shall be interpreted in conjunction with any Contract Module, Procedure and Notice. Each Clearing Member will be bound by such Contract Modules, Procedures and Notices as may be relevant to it which shall be set out on the Website, or, in the case of an Exchange Contract Module, on the Exchange Website.

1.7 In the event of any conflict between the Rulebook and the Clearing Membership Agreement, the Rulebook shall take precedence. In the event of any conflict between the Rulebook and the Procedures, the Rulebook shall take precedence. In the event of any conflict between the Rulebook and a Notice, the Rulebook shall take precedence except to the extent a Notice amends the Rulebook. In the event of any conflict between the Rulebook and a Contract Module, the Contract Module shall take precedence insofar as the conflict relates to the Contract Specification for the type of Contract governed by the Contract Module. In the event of any conflict between the Rules and the User Licence Agreement, the Rules shall take precedence.

1.8 In the event of any conflict between:

1.8.1 the Rules or the Clearing Membership Agreement, and

1.8.2 the FS Documents, Client Agreement or the Client Protection Agreement or the Security Trust Deed or the Client Acknowledgement,

subject to Rule 1.12, the Rules and the Clearing Membership Agreement shall take precedence.

1.8.3 In the event of any conflict between the FS Documents, the Client Agreement, the Client Protection Agreement, the Security Trust Deed and the Client Acknowledgement:

(a) the FS Documents will take precedence over the Client Protection Agreement, the Security Trust Deed, the Client Agreement and the Client Acknowledgement;

(b) the Client Protection Agreement and the Security Trust Deed will take precedence over the Client Agreement; and

(c) the Client Acknowledgement will take precedence over the Client Agreement.

1.9 If the Clearing House is unable to ascertain any amount or sum for any purpose including for any set-off, netting or aggregation under the Rules, the Clearing House may in good faith estimate that obligation (whether matured or contingent) and set-off, net or aggregate in respect of the estimate, subject to the Clearing House accounting to the Clearing Member or vice versa when the obligation is ascertained.

1.10 If any Rule allows a delegate of either the CEO or the Board of Directors to take action or make any decisions, such delegate shall be of sufficient seniority to take such action or make such decision (in the reasonable opinion of the Clearing House).

1.11 Where a Clearing Member is required to or does provide one or more Representatives for any of the Clearing House's committees, the Clearing Member will procure that its Representatives:

1.11.1 comply with their obligations under the relevant terms of reference and, where relevant, the Default Management Overview Document; and

1.11.2 enter into such confidentiality agreements, and comply with such confidentiality obligations, as the Clearing House may reasonably require.

1.12 Notwithstanding Rule 1.8, in the event of any conflict between the Rules or the Clearing Membership Agreement and the FS Documents, the FS Documents shall take precedence over any Rule which would mean that any Encumbrance created under the FS Documents no longer qualifies as a financial collateral arrangement pursuant to

both Directive 2002/47/EC on financial collateral arrangements and the Financial Collateral Arrangements (No 2) Regulations 2003.

CHAPTER 2
GENERAL PROVISIONS

2.1 General

2.1.1 The Rules, together with the Clearing Membership Agreement and any other documentation given contractual force pursuant to these Rules, form a contract between the Clearing House and each Clearing Member. No person other than the Clearing House has any obligation to Clearing Members under these Rules, the Clearing Membership Agreement or any Contract. No person who is not a Clearing Member, including for the avoidance of doubt a Client and a Third Party Trade Delegate, shall have any rights pursuant to the Contract (Rights of Third Parties) Act 1999 to enforce any provision of these Rules or the Clearing Membership Agreement.

2.1.2 No Clearing Member or Contract CM Client shall assign, transfer or create any Encumbrance in relation to any of its rights or obligations under the Rules, the Clearing Membership Agreement or any Contract save as otherwise set out in the Rules.

2.2 Amendments

2.2.1 The Clearing House may amend the Rulebook at any time by issuing a Notice setting out the text of the amended Rules and, where appropriate, a brief explanation of the reason for the amendment.

2.2.2 The Clearing House will publish any proposed amendment to the Rulebook for consultation and will invite Clearing Members to submit comments in writing within a specified deadline save that the Clearing House shall not be required to consult on any amendments to the Rulebook which:

(a) are minor changes of an administrative or commercial character or where the Clearing House reasonably considers that the amendment would not significantly affect the rights, obligations or liabilities of Clearing Members or Contract CM Clients or that consultation is otherwise not appropriate;

(b) are considered by the Clearing House necessary to ensure compliance with the Applicable Laws or a requirement of a Regulatory Authority on the Clearing House or any Clearing Member or Contract CM Client;

(c) are considered by the Clearing House necessary as a result of an Event of Default or Force Majeure Event; or

(d) are otherwise considered by the Clearing House to be necessary for the purpose of mitigating a significant risk to the Clearing House (including by mitigating a significant risk to a Clearing Member) or for the purposes of Rule 3.7.

2.2.3 The Clearing House may consult on a proposed amendment to the Rulebook with only a limited number of Clearing Members if it reasonably considers it appropriate to do so including where, in the Clearing House's reasonable opinion, a proposed amendment will affect a limited number of Clearing Members or in the Clearing House's reasonable opinion, is a limited technical amendment.

2.2.4 Subject to Rule 2.2.9, a Notice setting out an amendment to the Rulebook shall state the date from which such amendment comes into effect, which shall not be earlier than ten (10) Business Days from the date of the Notice except that any of the amendments set out in Rule 2.2.2 may take immediate effect on the date of the Notice.

2.2.5 The Clearing House may amend the Procedures and Notices at any time by issuing a Notice setting out the text of the amended Procedure or Notice. Any such amendment shall have immediate effect unless otherwise stated in the Notice.

2.2.6 No amendment to the Rules shall have the effect of extinguishing any right or discharging any liability incurred under the Rules before such amendment came into effect.

2.2.7 The Clearing House shall notify Clearing Members of any changes in its Business Days and Opening Hours from time to time by Notice.

2.2.8 Subject to Rule 8.10, if at any time the Clearing House decides to cease acting as a clearing house, either generally or in relation to a particular type of Contract, it shall give prior notice to Clearing Members where possible and as soon as reasonably practicable of the proposed withdrawal date. Where any Contract has not been closed out or settled, subject to any restriction under Applicable Law, the Clearing House shall use reasonable endeavours to give six (6) months' notice. If at any withdrawal date, any Affected Contracts remain open and in force or not otherwise closed pursuant to Rule 5.2.7, the Clearing House shall be entitled to offset, liquidate or require any such Contracts to cash settle on terms specified by the Clearing House.

2.2.9 Any amendment to Rules 2.3, 2.4, 2.5.9 to 2.5.24, 3.7, 3.8, 3.10.1, 3.10.2, 6.4 or Chapter 8 which significantly increases the:

(a) exposure to the Clearing House in respect of any indemnity given by the Clearing Member;

(b) Assessments; or

(c) the time it takes to terminate membership of the Clearing House,

of a significant proportion of Clearing Members, or any amendments which have the effect of allowing the Clearing House to Invoice Back or use mandatory allocation in relation to a significant proportion of Clearing Members, and which does not fall within the situations set out in Rules 2.2.2(a) to 2.2.2(d), shall take effect on the day specified in the Notice in which such amendments are published, which shall not be less than 20 (twenty) Business Days after the date of such publication.

2.2.10 The Clearing House shall not amend the Rules in such a way as to introduce a power to Invoice Back Contracts. This Rule 2.2.10 is without prejudice to the Clearing House's ability to Invoice Back Contracts in accordance with Rules 2.9 or 3.7.1.

2.2.11 The Rules may be amended without any notice to, consultation with or consent from any Client.

Amendments to Contract Specifications

2.2.12 The Clearing House may not amend a Contract Specification with retroactive effect.

2.2.13 The Clearing House may amend a Contract Specification by Notice provided that, if the proposed amendment is, in the Clearing House's reasonable opinion, material (which shall include for the avoidance of doubt, having a material economic impact on the parties to the Contract):

(a) it consults with the Risk Committee in advance of making such amendment; and

(b) if the amendments will affect future obligations under existing Contracts, it consults with all affected Clearing Members in advance of making such amendment, and the Clearing House will take the recommendations of such affected Clearing Members into account, acting in good faith, when deciding whether to make any such amendments to any Contract Specification.

2.2.14 Notwithstanding Rules 2.2.12 and 2.2.13, the Clearing House may amend a Contract Module or any Contract Specification at any time in accordance with Rule 3.7.1. Any amendment to a Contract Specification will relate to all Contracts with the same Contract Specification.

2.2.15 Without prejudice to Rules 2.2.12 to 2.2.14, any amendment made to a Contract Module or Contract Specification shall have immediate effect unless otherwise stated in the Notice setting out the amended text.

Amendments to Contract Modules

2.2.16 Subject to Rules 2.2.8 and 2.2.12 to 2.2.14, the Clearing House may amend a Contract Module, including by way of addition or removal of a Contract Specification, by way of Notice.

Acceptance of amendment Rules

2.2.17 By making or receiving a payment in the next Settlement Cycle and/or submitting a Transaction for clearing in accordance with Chapter 5 after the time at which an amendment (made in accordance with Rules 2.2 or 3.7.1(k)) is stated to have effect in the relevant Notice, the Clearing Member is deemed to have accepted the amendment.

2.3 Limitations of liability and indemnity

2.3.1 Each Clearing Member shall indemnify the Clearing House, Chicago Mercantile Exchange, Inc. and any of its Parent Undertakings and each of their respective Representatives (each an **Indemnified Person**) against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by the Indemnified Person:

(a) arising out of or in connection with the Clearing Member's conduct or its breach of these Rules; or

(b) arising out of or in connection with any Contract entered into by the relevant Clearing Member;

save to the extent that the losses, liabilities, damages, claims, costs or expenses arise as a result of the bad faith, fraud, wilful default or gross negligence of the Indemnified Person.

2.3.2 To the extent that the Clearing Member is required to indemnify the Indemnified Persons, it shall only be required to indemnify the Clearing House provided that:

(c) the Clearing House notifies the Clearing Member as soon as reasonably practicable if it intends to claim under any such indemnity; and

(d) the Clearing House takes reasonable steps to minimise its loss.

2.3.3 This Rule applies to a Clearing Member who is a beneficiary under an FS Security Trust Deed. Without prejudice to the generality of Rule 2.3.1, each such Clearing Member shall reimburse and (on request from the Clearing House) indemnify or pre-fund the Clearing House against all losses, liabilities, damages, claims, costs and expenses incurred by the Clearing House to the FS Security Trustee under any provision of that FS Security Trust Deed which refers to this Rule 2.3.3. Each such Clearing Member is severally liable under this Rule 2.3.3 except that it shall only be liable:

(a) to the extent that the Obligation relates to the Clearing Member, a member of its Beneficiary Group and/or an FS Account related to any member of its Beneficiary Group (to be determined by the FS Security Trustee after the date on which all Contracts entered into between the Clearing Members and the Clearing House under the Rules are terminated in accordance with Rule 2.5 and to be determined by the Clearing House before such time); and

(b) in other cases, pro-rata with all other Clearing Members that are beneficiaries under all FS Security Trust Deeds in respect of which the FS Security Trustee is trustee. For this purpose, an obligation shall be shared pro-rata by a Clearing Member by multiplying the relevant obligation by:

(i) the number of FS Accounts relating to that Beneficiary Clearing Member's Beneficiary Group; divided by

(ii) the total number of all FS Accounts subject to any FS Security Trust Deeds in respect of which the Security Trustee is trustee.

2.3.4 Neither the Clearing House nor any of its Affiliates or Representatives shall have any liability or obligation under or in respect of a Transaction unless and until a Contract arises. The Clearing House's liabilities and obligations under any Contract will be limited to those set out in these Rules and the terms of the Contract.

2.3.5 Notwithstanding any other provision of the Rules, neither the Clearing House nor any of its Affiliates or Representatives shall be liable for any losses, liabilities, damages, claims, costs or expenses, whether in contract, tort or breach of statutory duty or otherwise, arising from or in connection with:

(a) any suspension or closure of the Clearing House, the Exchange or the Trade Repository;

(b) any failure or malfunction or defect or delay or interruption in, or inability to use, any systems or communications necessary for the use of the Clearing House (whether or not such systems or communications are under the control of the Clearing House);

(c) any errors or inaccuracies in any information used in any systems of the Clearing House or provided by or to the Clearing House;

(d) any warranties, representations and undertakings which might be implied, whether by statute or otherwise, in respect of any systems used or provided by the Clearing House including the Clearing System, Exchange and Trade Repository, including as to fitness for purpose or for a particular use;

(e) any exercise or failure to exercise any discretion or right conferred upon the Clearing House pursuant to the Rules;

(f) any error, delay or inaccuracy in the submission of a Transaction or the transmission of information to or by the Clearing House and any unauthorised access to or use of the Clearing System;

(g) the performance of any obligation of a Clearing Member or Client or Third Party Trade Delegate or other person;

(h) subject to Rule 2.4.2, the acts or omissions of, or an Insolvency Event affecting, any third party including the Security Trustee, the Exchange, the Trade Repository, any Settlement Bank, Custodian (subject to 2.3.5(j)), Agent Bank, the CLS Bank or any entities providing access to the CLS System, Investment Agent, Central Security Depository, settlement agent or provider of data or other services or systems to the Clearing House, warehouse, shipping station or similar organisation or entity that may be involved with a delivery of any physically settled Contract, or any of their affiliates, sub-contractors or delegates;

(i) any dispute relating to the validity, existence or terms of any Contract; or

(j) any loss or diminution in the value of, or depreciation in or in connection with any, Collateral, Contributions, Assessments or Optional Payments provided to the Clearing House pursuant to the Rules:

(i) including the amount of any Investment Losses arising from one event or (in the reasonable discretion of the Clearing House) a series of connected events which exceeds USD 100 million, such excess being a **Major Investment Loss** which shall be borne by the Clearing Members in accordance with Rule 2.3.11; but

(ii) excluding other Investment Losses, which shall be borne by the Clearing House.

2.3.6 Neither the Clearing House nor any of its Affiliates or Representatives shall in any circumstances be liable to a Clearing Member or any other person for:

(a) loss of or anticipated loss of profit, loss of or anticipated loss of revenue, loss of use, business interruption, loss of use of any equipment, loss of any contract or other business opportunity or goodwill or punitive loss; or

(b) indirect loss or consequential loss,

regardless of whether the Clearing House has been advised of the possibility of such loss or whether such loss otherwise could have been foreseen.

2.3.7 Neither this Rule 2.3 nor any other Rule shall affect the application of section 291 FSMA nor exclude or restrict the liability of the Clearing House or any other person:

(a) in respect of the fraud, bad faith, wilful default or gross negligence of the Clearing House;

(b) in respect of personal injury or death resulting from negligence, recklessness or an intentional act or omission; or

(c) otherwise to the extent it cannot be excluded or restricted in accordance with the Applicable Law.

2.3.8 Nothing in these Rules shall require the Clearing Member to indemnify the Clearing House to the extent not permissible in accordance with the Applicable Law.

2.3.9 The Clearing House shall not be liable to any person which is not a Clearing Member or (solely in respect of any obligation to transfer under Rule 8.4.6 or to pay under Rule 8.5.11(a)) to a Contract CM Client.

2.3.10 The Clearing Member shall notify the Clearing House in writing of any possible action, claim or proceeding against the Clearing House and the details thereof as soon as reasonably practicable.

2.3.11 A Major Investment Loss shall be borne by all Clearing Members in the following way:

(a) the loss in each currency in which cash Collateral, Contributions, Assessments or Optional Payments is attributed to any of the Clearing Members in the books and records of the Clearing House (the **Relevant Currency**) shall be shared by each Clearing Member in the proportion (determined by the Clearing House acting reasonably and based on the blended exchange rate used by the Clearing House in its ordinary course of trading) that:

(i) the amount of cash Collateral, Contributions, Assessments and Optional Payments attributed to that Clearing Member in the books and records of the Clearing House in that Relevant Currency, if any (the **Maximum Share**); bears to

(ii) the amount of cash Collateral, Contributions, Assessments and Optional Payments attributed to all Clearing Members in the books and records of the Clearing House in that Relevant Currency, if any;

(b) the amount calculated under Rule 2.3.11(a) in respect of a Clearing Member shall be allocated:

(i) pro-rata across all Accounts of that Clearing Member to which amounts in that Relevant Currency are attributed; and

(ii) pro-rata against the Collateral, Contributions, Assessments and Optional Payments in that Relevant Currency connected with each Account of that Clearing Member;

(c) such allocation will reduce the value of such Collateral, Contributions, Assessments and Optional Payments (and the rights of each Clearing Member in respect of them) for all purposes including without limitation:

(i) in relation to the obligation of the Clearing House to return Equivalent Assets under Rule 3.10 or otherwise;

(ii) determining the rights and obligations of the Clearing House and Clearing Members under Rule 2.4, Rule 2.5 or Chapter 8;

(iii) calculating the Net Settlement Amount pursuant to Rule 6.1.5;

(iv) re-assessing a Clearing Member's Contribution pursuant to Rules 7.2.3 and 7.2.4; and

(v) determining the amount of the Assessment that a Clearing Member owes pursuant to Rule 8.7; and

(d) a Clearing Member shall not bear (under this Rule, Rule 2.3.11 or otherwise) more than its Maximum Share of any Major Investment Loss in each Relevant Currency.

2.3.12 In the event that a Major Investment Loss is shared pursuant to Rule 2.3.11, where any Investment Loss is recovered by the Clearing House in relation to a Relevant Currency (such amount net of the costs of recovery and taxes being the **Recovered Amount**), the Recovered Amount shall be shared in the following way:

(a) the Recovered Amount shall be shared between each Clearing Member which shared in such Major Investment Loss in relation to that Relevant Currency in the same proportion as under Rule 2.3.11(a) (the **Maximum Recovery Share**);

(b) the amount calculated under Rule 2.3.12(a) in respect of a Clearing Member which shared in such Major Investment Loss in relation to that Relevant Currency shall be allocated:

(i) in respect of:

(A) Accounts of that Clearing Member which bore the loss under Rule 2.3.11(b); and

(B) Collateral, Contributions, Assessments and Optional Payments in that Relevant Currency that are connected with each such Account;

(ii) any balance shall be allocated to the House Account of that Clearing Member for the account of (and on payment to) the relevant Client by the Clearing Member in the same proportion as the loss was borne under Rule 2.3.11(b);

(c) such allocation will increase the value of such Collateral, Contributions, Assessments and Optional Payments (and the rights of each Clearing Member which shared in such Major Investment Loss in relation to that Relevant Currency in respect of them) for all purposes including without limitation:

(i) in relation to the obligation of the Clearing House to return Equivalent Assets under Rule 3.10 or otherwise;

(ii) determining the rights and obligations of the Clearing House and Clearing Members under Rule 2.4, Rule 2.5 or Chapter 8;

(iii) calculating the Net Settlement Amount pursuant to Rule 6.1.5;

(iv) re-assessing a Clearing Member's Contribution pursuant to Rules 7.2.3 and 7.2.4; and

(v) determining the amount of the Assessment that a Clearing Member owes pursuant to Rule 8.7; and

(d) a Clearing Member shall not receive (under this Rule, Rule 2.3.11 or otherwise) more than its Maximum Recovery Share in relation to each Relevant Currency.

2.3.13 In the event that an Insolvency Event occurs in relation to a counterparty to a reverse repurchase agreement entered into with the Clearing House, the Clearing House shall use reasonable endeavours to notify the Clearing Members in the event that the Clearing House becomes aware that an Investment Loss or Major Investment Loss has arisen or the Clearing House reasonably considers that an Investment Loss or Major Investment Loss is likely to arise.

2.4 Limited recourse

2.4.1 This Rule 2.4 overrides all other provisions of the Rules, each Clearing Membership Agreement and any other agreement or arrangement.

2.4.2 Any liability (present, future, contingent or otherwise) of the Clearing House to a Clearing Member or any other person in connection with a Defaulting IRS Clearing Member or Defaulting Standard Clearing Member shall be recoverable by that Clearing Member or other person only from and to the extent of:

(a) a portion of the Collateral held by the Clearing House pro-rata to the relevant Defaulting Clearing Member's Collateral and the related Guarantee Fund, Assessments and Optional Payments; less

(b) assets which are not available to the Clearing House because:

(i) the Clearing House has applied or determined to apply them under the Rules; or

(ii) there has been a default (including, without limitation, fraud, negligence, wilful default or the occurrence of an Insolvency Event) with respect to:

(A) a Custodian or an Investment Agent; or

(B) a Settlement Bank, Settlement Agent for Precious Metals or Agent Bank:

(1) which has been selected by the Clearing House following consultation with the Risk Committee and approval by the Board of Directors;

(2) which is monitored by the Clearing House in accordance with its normal procedures as consulted on with the Risk Committee; and

(3) in the case of a default by an Investment Agent only, where there is no material breach by the Clearing House of its investment management policy outstanding.

The Clearing House shall have no further liability to a Clearing Member or any other person in relation to a loss or liability relating to a Defaulting Clearing Member.

2.4.3 If a Clearing Member receives any payment or asset (including by way of set-off or by way of enforcement of any Encumbrance) under the Rules or its rights under the Rules are otherwise discharged in breach of this Rule 2.4, then it will, promptly on

becoming aware of such payment or receipt of an asset or after receiving notice from the Clearing House of such payment or receipt of an asset, pay such amount or asset (or an amount equal to the discharged amount) to the Clearing House to be applied in accordance with these Rules.

2.4.4 For the purposes of Rule 2.4.2, the Clearing House may, in its reasonable discretion, determine the proportion of the relevant Guarantee Fund to be applied in relation to each Account of the relevant Clearing Member.

2.5 Clearing House Insolvency

2.5.1 Subject to Rule 2.5.2, if the Clearing House:

(a) enters into liquidation following satisfaction of the conditions in paragraph 34 of Schedule 17A FSMA;

(b) enters into administration following satisfaction of the conditions in paragraph 34 of Schedule 17A FSMA; or

(c) fails to pay on the due date amounts payable by it under the Rules to four (4) or more Clearing Members, provided such Clearing Members have given the Bank of England not less than seven (7) days' notice in writing,

all Contracts shall terminate automatically on the Termination Date and the following steps in this Rule 2.5 shall be taken. Each non-defaulting Clearing Member shall, as soon as reasonably practicable following the Termination Date, calculate the rights and liabilities of the Clearing House and the Clearing Member with respect to each of such Clearing Member's Accounts in accordance with this Rule 2.5.

2.5.2 For the avoidance of doubt:

(a) Rule 2.5.1 shall not apply because a stablilisation power is exercised under the Banking Act 2009 in respect of the Clearing House or because of the occurrence of any event (except one listed in Rule 2.5.1) directly resulting from such exercise; and

(b) if the stabilisation power is implemented by way of a property transfer instrument (as defined in the Banking Act 2009) to another entity (the **New CCP**) and this Rule 2.5 applies to the New CCP, then (unless otherwise agreed with the New CCP) Rule 2.5.1 shall not apply to the New CCP solely because of:

(i) the exercise of the stabilisation power in respect of the Clearing House or any event directly resulting from such exercise in relation to it; or

(ii) the occurrence of any of the events or circumstances under Rule 2.5.1 in relation to the Clearing House.

2.5.3 In Rule 2.5.2, "Clearing House" means the entity against whom the relevant stabilisation power is exercised and not the New CCP.

Discharge of Clearing Member's rights and liabilities

2.5.4 Subject to Rule 2.5.2, following default by the Clearing House under Rule 2.5.1, each non-defaulting Clearing Member shall, in relation to each of its House Accounts, Notional Sub-Accounts within an Omnibus Client Account and Individual Client Accounts, calculate a CCP Default Single Net Sum in accordance with the steps set out in this Rule 2.5 by aggregating any obligations for the payment of money, whether present or future, actual or contingent, by the Clearing Member under its Contracts and the Rules, aggregating any such obligations to the Clearing Member under each Contract and the Rules, and offsetting the two aggregated amounts against one another so as to produce a **CCP Default Single Contract Net Sum** in respect of each such Account or Notional Sub-Account and then take the steps set out in Rule 2.5.9 or 2.5.10, if and as applicable, so as to produce a **CCP Default Single Net Sum** in respect of each such Account or Notional Sub-Account. The Contracts shall be valued as at the Termination Date. Where a non-defaulting Clearing Member is required to convert amounts denominated in one currency into another currency for the purposes of calculating a CCP Default Single Net Sum, such non-defaulting Clearing Member shall use the market exchange rate prevailing on the Termination Date.

2.5.5 If the CCP Default Single Contract Net Sum with respect to all Standard Contracts relating to an Account or Notional Sub-Account is due from the Clearing Member, then it is the **CCP Default Standard Interim Liability**. If the CCP Default Single Contract Net Sum with respect to all Standard Contracts relating to an Account or Notional Sub-Account is due to the Clearing Member, then it is the **CCP Default Standard Interim Asset**.

2.5.6 If the CCP Default Single Contract Net Sum with respect to all IRS Contracts relating to an Account or Notional Sub-Account is due from the Clearing Member, then it is the **CCP Default IRS Interim Liability**. If the CCP Default Single Contract Net Sum with respect to all IRS Contracts relating to an Account or Notional Sub-Account is due to the Clearing Member, then it is the **CCP Default IRS Interim Asset**.

2.5.7 For the purposes of discharging a Clearing Member's rights and liabilities and calculating a CCP Default Single Contract Net Sum and a CCP Default Single Net Sum, the Clearing House may close out, settle, terminate and/or offset any Contract including the application of Eligible Cash or the proceeds of the realisation of any Eligible Assets constituting Collateral credited with respect to each of the relevant Accounts or Notional Sub-Accounts of the Clearing Member. Collateral and Contributions in the form of Eligible Securities may be liquidated and amounts denominated in one currency may be converted into another currency, in each case at such time and at such rate as the Clearing House shall in its reasonable discretion determine.

2.5.8 The rights and liabilities of the Clearing Member referred to in Rule 2.5.7 shall include all rights and liabilities arising and any costs and expenses incurred in consequence of any such action.

Standard CCP Default Single Net Sum calculation

2.5.9 The following steps shall be taken with respect to each Standard House Account, Standard Notional Sub-Account and Standard Individual Client Account of a Standard Clearing Member:

(a) the Standard Clearing Member's Standard Collateral relating to the relevant Standard House Account, Standard Individual Client Account or Standard Notional Sub-Account (as applicable) shall be set off, or applied, against the CCP Default Standard Interim Liability or aggregated with the CCP Default Standard Interim Asset relating to such Account;

(b) in relation to a Standard Notional Sub-Account any negative sum produced under Rule 2.5.9(a) relating to that Standard Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which the Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 2.5.9(a) relating to any other Standard Notional Sub-Account in the same Standard Omnibus Client Account; and

(c) the Standard Clearing Member's Contribution to the Standard Guarantee Fund shall be set off against any negative sum produced under Rule 2.5.9(a) in relation to the Standard House Account or aggregated with any positive sum remaining after the completion of Rule 2.5.9(b),

the result being the **Standard CCP Default Single Net Sum**.

IRS CCP Default Single Net Sum Calculation

2.5.10 The following steps shall be taken with respect to each IRS House Account, IRS Notional Sub-Account and IRS Individual Client Account of an IRS Clearing Member:

(a) the IRS Clearing Member's IRS Collateral relating to the relevant IRS House Account, IRS Individual Client Account or IRS Notional Sub-Account (as applicable) shall be set off, or applied, against the CCP Default IRS Interim Liability or aggregated with the CCP Default IRS Interim Asset relating to such Account;

(b) in relation to an IRS Notional Sub-Account any negative sum produced under Rule 2.5.10(a) relating to that IRS Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the IRS Omnibus Client Account of which that IRS Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 2.5.10(a) relating to any other IRS Notional Sub-Account in the same IRS Omnibus Client Account; and

(c) the IRS Clearing Member's Contribution to the IRS Guarantee Fund shall be set off against any negative sum produced under Rule 2.5.10(a) in relation to the IRS House Account or aggregated with any positive sum remaining after the completion of Rule 2.5.10(b),

the result being the **IRS CCP Default Single Net Sum**.

Set off of Collateral relating to different Accounts

2.5.11 To the extent that an amount is applied or included as part of the calculations of a CCP Default Single Net Sum pursuant to this Rule 2.5:

(a) Collateral credited to a House Account of a Clearing Member may only be set off, or applied, against or included as part of the calculation of the CCP Default Single Net Sums in respect of that House Account of the Clearing Member;

(b) Collateral credited to each Individual Client Account of a Clearing Member may only be set off, or applied, against or included as part of the calculation of the CCP Default Single Net Sum in respect of Contracts recorded to that Individual Client Account of that Clearing Member;

(c) Collateral, excluding Excess Collateral, credited to each Notional Sub-Account of a Clearing Member may only be set off, or applied, against or included as part of the CCP Default Single Net Sum in respect of Contracts credited to that Notional Sub-Account of that Clearing Member or as contemplated in Rules 2.5.9(b) and 2.5.10(b); and

(d) Excess Collateral credited to an Omnibus Client Account may only be set off, or applied, against or included as part of the CCP Default Single Net Sum in respect of Contracts credited to that Omnibus Client Account and may be included as part of the calculation of a CCP Default Single Net Sum in accordance with Rules 2.5.9(b) and 2.5.10(b).

2.5.12 For the purposes of Rules 2.5.9 and 2.5.10, the Collateral credited to each:

(a) Standard Individual Client Account:

(i) With respect to Collateral standing to the credit of an FS Account, is the value of that Collateral; and

(ii) Otherwise, is a proportion (determined in accordance with the Rules and Procedures) of the value of the Collateral provided by the Clearing Member in respect of all of its Standard Individual Client Accounts.

(b) Standard Notional Sub-Account in a Standard Omnibus Client Account is a proportion (determined in accordance with the Rules and Procedures) of the Collateral provided by the Clearing Member in respect of all its Standard Omnibus Client Accounts.

(c) IRS Individual Client Account:

(i) With respect to Collateral standing to the credit of an FS Account, is the value of that Collateral; and

(ii) Otherwise, is a proportion (determined in accordance with the Rules and Procedures) of the value of the Collateral provided by the Clearing Member in respect of all of its IRS Individual Client Accounts.

(d) IRS Notional Sub-Account in an IRS Omnibus Client Account is a proportion (determined in accordance with the Rules and Procedures) of the Collateral provided by the Clearing Member in respect of all its IRS Omnibus Client Accounts.

2.5.13 To the extent any fees, costs and expenses are due from a Clearing Member, they shall be aggregated separately with respect to fees, costs and expenses arising in

connection with Standard Contracts and fees, costs and expenses arising in connection with IRS Contracts and the resulting sum(s) shall be set off against the Clearing Member's Collateral credited to the relevant House Account of the Clearing Member and its Contribution to the relevant Guarantee Fund.

2.5.14 Excess Collateral received by the Clearing House in respect of an Omnibus Client Account shall be used in relation to that Omnibus Client Account and may be used in accordance with Rules 2.5.9(b) and 2.5.10(b).

CCP Default Single Net Sum calculations - General

2.5.15 The Clearing House shall verify each CCP Default Single Net Sum calculated by a Clearing Member and shall pay any positive amount so verified in accordance with Rule 2.5.18 or 2.5.19, as applicable, as soon as practicable. Each Clearing Member shall pay any negative amount so verified in accordance with Rule 2.5.20.

2.5.16 The Clearing House shall inform the relevant Clearing Member whether it agrees or disagrees with a CCP Default Single Net Sum calculated by that Clearing Member. If the Clearing House agrees with a calculation, it shall certify that amount in accordance with Rule 2.5.17 and such calculation shall (in the absence of manifest error) be final and binding on all persons. If the Clearing House disagrees with a calculation, the Clearing House may appeal to the Appeals Body in accordance with Rule 9.5. The sum determined by the Appeals Body shall be certified by the Clearing House in accordance with Rule 2.5.17 and such calculation shall (in the absence of manifest error) be final and binding on all persons.

2.5.17 The Clearing House shall certify in relation to each House Account, Individual Client Account or Notional Sub-Account the CCP Default Single Net Sum as the amount payable by or to the Clearing Member or in accordance with Rule 2.5.18 or, if no amount is payable, zero and each such certificate shall be conclusive. The Clearing House shall make the certification to:

(a) each Clearing Member; and

(b) the Clearing House's Regulatory Authority.

2.5.18 In respect of each Individual Client Account and Notional Sub-Account, the Clearing House shall, if a positive sum, pay the CCP Default Single Net Sum:

(a) to the relevant Client (or to its order) or, if a Security Trustee has been appointed with respect to that Client, to the Security Trustee (or to its order) on trust for that Client, in each case if:

(i) the relevant Clearing Member is a Defaulting Clearing Member and the Clearing House has determined pursuant to Rule 2.5.24 that Rule 2.5 shall apply to that Defaulting Clearing Member;

(ii) the Clearing House is satisfied that a Client Agreement, a Client Protection Agreement (if the relevant Clearing Member is a Security CM) and a Client Acknowledgement (either as part of the Client Protection Agreement or as a standalone agreement) is in full force and effect with respect to the relevant Client and no Applicable Law or regulation would require the payment returned to another party;

(iii) the CCP Default Single Net Sum has been calculated with respect to Contracts and Collateral relating to one Client; and

(iv) if there is an FS Individual Client Account with respect to the relevant Client, the Clearing House is satisfied that all the relevant FS Documents are in full force and effect with respect to that Client; or

(b) to the Clearing Member, for the account of the relevant Client, if any of the conditions set out in 2.5.18(a) are not met.

2.5.19 In respect of a House Account the Clearing House shall, if a positive sum, pay the CCP Default Single Net Sum to the Clearing Member.

2.5.20 In respect of any Account or Notional Sub-Account, each Clearing Member shall, if a negative sum, pay the CCP Default Single Net Sum to the Clearing House.

2.5.21 A CCP Default Single Net Sum shall be due on the date falling 2 (two) Business Days after the date on which the last CCP Default Single Net Sum has been verified or calculated in accordance with Rule 2.5.15 or Rule 2.5.16, as applicable.

FS Individual Client Accounts

2.5.22 Notwithstanding Rules 2.5.9 and 2.5.10 and without prejudice to Rule 2.5.20, where the CCP Default Single Net Sum has been determined with respect to an FS Individual Client Account and is a positive sum the Clearing House may, in its absolute discretion, deliver Equivalent Assets (from its own assets or the relevant FS Account) to satisfy in whole or in part its obligation to pay the CCP Default Single Net Sum.

2.5.23 Should the Clearing House deliver Equivalent Assets in accordance with Rule 2.5.22, the Clearing House shall be discharged *pro tanto* from its obligation to deliver the corresponding value of the CCP Default Single Net Sum and such Equivalent Assets

shall be given the value ascribed to them in the determination of the CCP Default Single Net Sum.

2.5.24 This Rule 2.5 is intended to apply only to non-defaulting Clearing Members except that the Clearing House may (in its sole discretion) determine at any time (whether or not any event has occurred or step has been taken under Rule 2.5) that all or any part of Rule 2.5 (and the resulting rights and obligations) shall also apply in respect of any one or more Defaulting Clearing Members. In all other cases, the provisions of Chapter 8 shall continue to apply to any Defaulting Clearing Member.

2.6 Currency of payment and currency conversion

2.6.1 For the purposes of any calculation under these Rules, the Clearing House may convert amounts denominated in one currency into another currency at such rate prevailing at the time of the calculation as it shall reasonably select.

2.6.2 Amounts payable to the Clearing House shall be paid in the currency specified in the relevant Contract Specification or in the currency otherwise required by the Rules. If the Clearing House receives payment in another currency, it may convert such amount at such rate prevailing at the time of the calculation as it shall reasonably select. The Clearing Member shall indemnify the Clearing House against any loss which the Clearing House may suffer as a result of such conversion.

2.6.3 Notwithstanding Rule 2.6.2, Variation Requirement may, at the discretion of the Clearing House, be payable in a currency other than that specified in the relevant Contract Specification provided that the other currency is limited to GBP, USD or EUR.

2.7 Confidentiality

2.7.1 The Clearing House will treat as confidential all information received from a Clearing Member or which is held by the Clearing House and relates to Contracts which the Clearing Member has entered into and/or the Clearing Services and shall not disclose it to any other person except:

(a) where the Clearing House is in possession of the information free of any obligation of confidence to the Clearing Member at the time it is received by the Clearing House or obtains it from a third party which is not under a duty of confidence to the Clearing Member in respect of such information;

(b) where the Clearing House develops the information independently and without reference to any of the Clearing Member's confidential information;

(c) where it has the Clearing Member's consent to do so;

(d) in connection with enquiries, proceedings or investigations by a Regulatory Authority, the court services or law enforcement agencies anywhere in the world or in order to enable the Clearing House to comply with its regulatory requirements or dialogue with its regulators as applicable, or where required pursuant to Applicable Law;

(e) subject to imposing confidentiality obligations, to any Affiliate, any Exchange, any Committee, the Appeals Body or any professional advisers or subcontractors of the Clearing House to enable them to provide services to the Clearing House which are necessary or expedient for the operation of the Clearing House;

(f) to any Client or Third Party Trade Delegate to which the information relates;

(g) to the Security Trustee, any Settlement Bank, Custodian or other person which provides data, services or systems to the Clearing House and any of their Affiliates, sub-contractors and delegates to the extent necessary or expedient for the purpose of the provision of those services;

(h) to any other Clearing Member for the purposes of a potential transfer, novation or assignment of a Transaction, a Contract or Collateral to such Clearing Member;

(i) to any person or to the public if the information is or comes into the public domain other than as a result of a breach of this Rule by the Clearing House or its Representatives;

(j) to a trade repository for the purposes of making any reports required by Applicable Law and the Clearing Member shall ensure that, if required, any of its Representatives, Clients or third parties whose services it uses in relation to Transactions it submits for clearing and whose confidential information is required to be included in such reports has consented to such disclosure by the Clearing House; or

(k) to any other person to which, and on such terms as, the Clearing House considers it appropriate to disclose such information for the purposes of providing the Clearing Services.

2.7.2 Rule 2.7.1 shall not operate to restrict, diminish or affect:

(a) the rights of the Clearing House in relation to Clearing Data (as defined in the User Licence Agreement); or

(b) the IPRs (as defined in the User Licence Agreement) of the Clearing House.

2.7.3 Clearing Members shall be deemed to consent to any disclosure or non-disclosure of information by the Clearing House that is required or permitted by section 348 of FSMA or any other Applicable Law.

2.8 Data protection

2.8.1 The Clearing House is a data controller in relation to personal information provided by the Clearing Members and their Representatives and Clients. Each Clearing Member shall ensure that any of its Representatives or Clients whose personal data is provided to the Clearing House has consented in advance to such data being controlled and processed by the Clearing House and any of its Affiliates as described in this Rule 2.8 and that the disclosure of such personal data is lawful.

2.8.2 The Clearing House shall be entitled:

(a) to disclose personal data to such persons and for such purposes as set out in Rule 2.7;

(b) to market the Clearing House's own and any of its Affiliates' products and services to the Clearing Member and its Representatives and Clients and, where required by law, the Clearing House will ask for the relevant individual's consent at the time the Clearing House collects the relevant data to conduct any of these types of marketing;

(c) to develop and sell new products using personal data in accordance with applicable data protection law; and

(d) to transfer personal data anywhere in the world for the purposes set out in Rule 2.7 and in relation to such transfers the Clearing House shall comply with data protection laws as they apply to the Clearing House in the UK.

2.8.3 Each data subject may, on application to the Clearing House's Company Secretary and payment of a small fee to the Clearing House, receive a copy of the personal data held by the Clearing House in respect of it and require the Clearing House to correct any errors or inaccuracies or require the Clearing House to stop processing such personal data.

2.8.4 In this Rule 2.8, the terms "personal data", "controller" and "data subject" have the meanings given to such terms in the Data Protection Act 1998.

2.9 Force majeure

2.9.1 If and to the extent that either the Clearing House or the Clearing Member is hindered or prevented by a Force Majeure Event from performing any of its obligations under these Rules, then the party so affected (the **Affected Party**) shall not be liable to the other (and the Clearing House shall not be liable to a Contract CM Client) for failure to perform such obligations provided that the Affected Party takes the steps set out in Rule 2.9.2. The determination that a Force Majeure Event has occurred by the Clearing House shall be made jointly by the CEO, the Chief Operating Officer, the Chief Risk Officer and the Chief Compliance Officer of the Clearing House.

2.9.2 On the occurrence of a Force Majeure Event, the Affected Party shall:

(a) immediately notify the other party of the same in writing and, if the Clearing House is the Affected Party, it shall do so by issuing a Notice and shall also notify each of the Board of Directors and the Bank of England;

(b) use reasonable endeavours to minimise the effects of the Force Majeure Event on the performance of its obligations under the Rules and resume full performance of such obligations without avoidable delay;

(c) keep the other party informed of the development of the circumstances of the Force Majeure Event and the performance of its obligations under the Rules, including, without limitation, when it is no longer affected by the Force Majeure Event and, if the Clearing House is the Affected Party, it shall do so by issuing a Notice; and

(d) if the Clearing House is the Affected Party, require any Clearing Member to take such action, including but not limited to action in accordance with Rule 11.6.6(b), as the Clearing House may direct in relation to any Contracts or Collateral deposited with the Clearing House affected by the Force Majeure Event.

2.9.3 If a Force Majeure Event continues for 5 (five) Business Days, the Clearing House will consult with the Risk Committee on any actions which the Clearing House proposes to take to protect the financial integrity of the Clearing House or in relation to any Contract affected by the continuing Force Majeure Event. For the avoidance of doubt, any action may include the Invoicing Back of any Contract affected by the continuing Force Majeure Event providing there is an objective justification for the Invoicing Back of such Contract or taking action in accordance with Rule 11.6.6(b).

2.10 Severability

2.10.1 Each of the Rules is severable and distinct from the others. It is intended that every Rule and every part of each Rule shall be and remain valid and enforceable to the fullest extent permitted by law. If any Rule or part of a Rule is or at any time becomes

to any extent invalid, illegal or unenforceable for any reason, it shall, to that extent, be deemed not to form part of these Rules, but the validity, legality and enforceability of the remaining Rules and parts of these Rules shall not be thereby affected or impaired.

2.11 Waiver

2.11.1 Except as specifically provided for in these Rules, no waiver of any of these Rules or any part thereof shall be effective unless the same shall be in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such Rule or part thereof.

2.11.2 The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any of the Rules, shall not operate as a waiver of, or preclude any further or other exercise or enforcement of that or any other right.

2.11.3 Any times fixed by these Rules for the doing of any act or acts required by these Rules may be extended, waived or suspended by the Clearing House, the Board of Directors or such Committee as the Board of Directors may designate, whenever, in its, judgment, such extension, waiver or suspension is necessary or expedient.

2.12 Governing law and arbitration

2.12.1 The Rules shall be governed by and construed in accordance with the laws of England and Wales.

2.12.2 Subject to Rule 2.12.4, any dispute between the Clearing House and Clearing Member arising out of or in connection with the Rules or any Contract, including any question regarding the validity of the Clearing Membership Agreement shall be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration, which Rules are deemed to be incorporated by reference into this Rule.

2.12.3 The number of arbitrators shall be three (3). Each party shall appoint one (1) arbitrator and the remaining arbitrator shall be appointed by agreement between the arbitrators appointed by each party. The third arbitrator shall serve as chairman. The seat, or legal place, of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

2.12.4 A Clearing Member may not submit a dispute, the subject matter of which could constitute a Complaint, to be resolved by arbitration in accordance with Rule 2.12.2 unless and until it has submitted a Complaint on such subject in accordance with the Rules and that Complaint has been subjected to the procedures set out in the Rules.

2.12.5 The commencement of any arbitral proceedings pursuant to Rule 2.12.2 shall be without prejudice to and shall not limit in any way the right of the Clearing House to instigate any procedure under the Rules, including without limitation in relation to any Event of Default or any Investigation or Disciplinary Proceedings.

2.12.6 The Clearing House will not be responsible for compliance or non-compliance by any person with the requirements under the UKLA Prospectus Rules concerning offers made to the public.

2.13 Waiver of sovereign immunity

2.13.1 In the event that a Clearing Member or a Contract CM Client purports to be a state entity, such entity irrevocably acknowledges and accepts that the Rules and all agreements entered into or in connection herewith (including all appendices, schedules and exhibits thereto) and the performance or non-performance of its obligations under the Rules are commercial rather than public or governmental acts. In any event, the Clearing Member and each Contract CM Client hereby waives in relation to any disputes arising out of or in connection with the Rules under any law or in any jurisdiction, notwithstanding the dispute(s) relate(s) to acts of a sovereign or governmental character, any claim the Clearing Member or Contract CM Client may have or may acquire to immunity on the grounds of sovereignty or otherwise (for itself/themselves and its/their property, present or subsequently acquired) from:

(a) any jurisdiction and the service and pursuit of any proceedings in that jurisdiction

(b) procedural privileges relating to the obligation to disclose documents or information; and

(c) any relief, before or after proceedings have been commenced, including but not limited to orders for injunction, specific performance, or recovery of land; any set off, attachment or execution or enforcement of a judgment or arbitral award against its sovereign property (or in an action in rem for the arrest, detention or sale of its sovereign property) irrespective of that property's use or intended use, whether commercial or otherwise, including without prejudice to the generality of sovereign property, any assets held on behalf of a central bank, diplomatic assets, tax revenues or other payments to the sovereign or cultural, historic or scientific collections.

2.14 No proceedings

2.14.1 No Clearing Member or Contract CM Client shall take any action to commence an insolvency or reorganisation proceeding (including, without limitation, by presentation of a winding up petition) in relation to the Clearing House.

2.14.2 No Clearing Member or Contract CM Client shall take any action (including, but not limited to, commencing a court or arbitral proceeding) with the intention of or that would limit or interfere with the ability of the Clearing House to exercise its rights and perform its obligations (in each case, as interpreted by the Clearing House) under or in connection with the Rules.

2.15 Disaster recovery testing

2.15.1 Each Clearing Member shall participate in disaster recovery tests with the Clearing House.

2.15.2 The date and time of any disaster recovery tests shall be agreed between the Clearing House and the relevant Clearing Member(s), each acting reasonably.

2.15.3 Disaster recovery tests shall take place as often as the Clearing House, acting reasonably, deems necessary from a risk perspective, and, as a minimum, shall take place at least once per calendar year.

CHAPTER 3
MEMBERSHIP

3.1 Types of membership and application

3.1.1 A clearing member applicant must, at a minimum, demonstrate to the Clearing House that it can satisfy the Membership Criteria. The process for applying for clearing membership is set out in the Membership Procedure. A copy of the application form is available on request. Subject to advice from the Risk Committee, the Board of Directors determines whether an applicant for membership as a Clearing Member satisfies the Membership Criteria. The Clearing House may only deny access to a clearing member applicant meeting the Membership Criteria where duly justified and based on a risk analysis.

3.1.2 The Clearing House has the following categories of membership; Standard Clearing Members and IRS Clearing Members (each a **Membership Category**), each of which has a separate Guarantee Fund. A Clearing Member in one Membership Category only has recourse to the Guarantee Fund relating to that Membership Category as set out in Rule 7.1. The Clearing House may create additional Membership Categories depending on the types of Transaction to be cleared. The Clearing House may apply different Membership Criteria in respect of different Membership Categories. A Clearing Member may only clear those types of Transaction in respect of which it is a Clearing Member of the relevant Membership Category. A Clearing Member may belong to multiple Membership Categories. A Clearing Member must continue to satisfy the Membership Criteria applicable to its Membership Category for so long as it remains a Clearing Member of that Membership Category.

3.1.3 A Membership Category may allow the Clearing Member to clear different types of Transactions such as Transactions relating to different asset classes provided the Clearing Member complies with any Rules that relate specifically to the ability to clear a particular type of Transaction. The Guarantee Fund relating to a Membership Category relates to all Contracts with the Clearing Members within that Membership Category. The Clearing House may have recourse to the Guarantee Fund relating to a particular Membership Category regardless of which types of Transaction the Defaulting Clearing Member has the ability to clear.

3.1.4 The Rules apply to Clearing Members. Each Clearing Member shall, and shall use reasonable endeavours to procure that its Representatives act in accordance with the Rules. Different Rules may apply to Clearing Members in different Membership Categories and different types of Transaction and the applicable Rules may include a Contract Module that is specific to the type of Transaction.

3.1.5 The Clearing House has no contractual relationship with Clients (save as set out in any Client Protection Agreement, Client Acknowledgement or FS Document into which the Clearing House may have entered into with a Client) or any Third Party Trade Delegate. The Clearing Member will be party to and liable as a principal in respect of any Contracts. Clients, Third Party Trade Delegates and Affiliates are not subject to the Rules and do not have any of the rights or benefits of a Clearing Member (except to the extent that an Affiliate is also a Clearing Member). The Clearing House has no obligations or liabilities under the Rules to any person other than a Clearing Member or (solely in respect of any obligation to transfer under Rule 8.4.6 or to pay under Rule 8.5.11(a)) to a Contract CM Client.

3.2 Membership Criteria

3.2.1 To become a Clearing Member and maintain membership of the Clearing House, a person must at all times:

(a) be incorporated as a body corporate, partnership or other business organisation or entity in any jurisdiction;

(b) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority required to enter into and clear through the Clearing House Transactions, including, where relevant, Transactions with or on behalf of Clients and Third Party Trade Delegates;

(c) comply with all Applicable Law and the requirements of each Regulatory Authority which has jurisdiction over the Clearing Member in the course of using the facilities provided by the Clearing House;

(d) be subject to Applicable Law relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on its Clients;

(e) not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which it is, or is likely to be, unable to discharge any obligation to the Clearing House;

(f) comply with all regulatory capital requirements applicable to it;

(g) maintain capital of at least the type and amount set out in the Membership Procedure;

(h) in the case of a Standard Clearing Member, have provided to the Clearing House its Contribution to the Standard Guarantee Fund and, in the case of an

IRS Clearing Member, have provided to the Clearing House its Contribution to the IRS Guarantee Fund, in each case in accordance with the Rules and the Membership Procedure;

(i) have provided to the Clearing House sufficient Eligible Assets to satisfy its Collateral Requirement in accordance with the Rules;

(j) have the Bank Accounts set out in Rule 4.2.2 and, if relevant, the accounts with the Agent Bank and the CLS Account set out in Rule 4.2.3;

(k) be party to an executed Clearing Membership Agreement and such other agreements as set out in the Membership Procedure;

(l) have nominated a Representative to be responsible for the Clearing Member's actions and represent the Clearing Member before the Clearing House and its Committees (a **Nominee**);

(m) have nominated a Representative to be the Clearing House's key contact person and to register such of its and its Clients' Representatives as will be permitted to submit Transactions to the Clearing House (the **Transaction Manager**);

(n) ensure that a Representative, who is sufficiently senior and familiar with the Rules and the Clearing Member's activities in relation to the Clearing House, is available to deal with any query or issue raised by the Clearing House;

(o) with respect to an IRS Clearing Member only:

(i) have nominated at least two (2) officers or employees to be members of the IRS Default Management Committee, one of which may be required to serve on the IRS Active Default Committee at any time, in accordance with its terms of reference, provided that, if two (2) IRS Clearing Members are Affiliated Clearing Members, this Rule 3.2.1(o)(i) need only be satisfied by one (1) of those IRS Clearing Members; and

(ii) upon request of the Clearing House, submit nominations for an independent member of the Risk Committee;

(p) not have been, or have any senior Representative (in director position or above) who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of public justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, market abuse or insider dealing or be, or have any senior Representative (in

director position or above) who is, under investigation for committing such an offence, if, in each case, such circumstance has or would be likely to have an adverse effect on the Clearing Member's ability to comply with the Rules;

(q) satisfy the Clearing House as to its fitness and propriety, financial, operational, technical and risk management capacity and competence and have such personnel, facilities and organisational arrangements to be able to satisfy its obligations under the Rules;

(r) with respect to its interactions with the Clearing House, shall not enter into any Contract, provide any Collateral, use the Clearing Services or access the Clearing Services on behalf of, or for the ultimate benefit of, parties subject to restrictions administered or imposed by the European Union, HM Treasury, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United Nations Security Council, any other Regulatory Authority or any other government entity or regulatory authority with jurisdiction over the Clearing Member, and shall not be prohibited from entering into any Contract, providing any Collateral, using the Clearing Services or accessing the Clearing Services as a result of any sanctions administered or imposed by the European Union, HM Treasury, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United National Security Council, any other Regulatory Authority or any other government entity or regulatory authority which has jurisdiction over the Contract;

(s) be engaged in or demonstrate immediate capacity to engage in the conduct of a Clearing Member in respect of the Transactions to be cleared and the performance of all the obligations of a Clearing Member set out in the Rules;

(t) have available to the Clearing House for inspection, upon reasonable request by the Clearing House, its books and records regarding Transactions cleared by the Clearing House;

(u) demonstrate that it is in compliance with the Rules;

(v) satisfy any further requirements which the Clearing House may reasonably impose on a Clearing Member from time to time; and

(w) with respect to a Standard Clearing Member clearing Exchange Transactions, have been accepted as and remain a member of the Exchange.

3.2.2 The Membership Criteria set out in Rules 3.2.1(c) to (e) shall also apply to each of the Clearing Member's Parent Undertaking and Guarantors.

3.2.3 Without prejudice to Rule 3.2.1(s), and subject to the conditions set out in the Membership Procedure, a Clearing Member may delegate certain operational and risk functions to a Default Management Service Provider provided that:

(a) any such arrangement shall be documented in a legally binding agreement governed by English law a draft of which shall be subject to prior review and approval by the Clearing House and may be reviewed by the Clearing House annually thereafter;

(b) such Clearing Member shall have no less than two (2) Default Management Service Providers at any time and shall notify the Clearing House which is its primary and which is its secondary Default Management Service Provider;

(c) each Default Management Service Provider satisfies the criteria in Rule 3.2.1 (a) to (e); and

(d) the Clearing Member and the Default Management Service Providers shall comply with any other conditions the Clearing House may impose from time to time.

3.2.4 A Clearing Member shall remain fully responsible for compliance with the Rules and shall be liable for any action taken by a Default Management Service Provider on its behalf. Without prejudice to the generality of the foregoing, a Clearing Member will be responsible for the liability for any obligations arising in connection with the submission of any bid in an auction on its behalf by a Default Management Service Provider.

3.2.5 Where a Clearing Member appoints a Default Management Service Provider, that Clearing Member may be subject to an increased Margin Requirement and an increased Contribution to the relevant Guarantee Fund.

3.2.6 The Clearing House may require a Clearing Member to terminate the appointment of a Default Management Service Provider with immediate effect at any time. If the Clearing House requires a Clearing Member to terminate the appointment of a Default Management Service Provider pursuant to this Rule 3.2.6, such Clearing Member shall be required to appoint an alternative Default Management Service Provider within such period as the Clearing House considers to be reasonable if the Clearing Member wishes to continue to use a Default Management Services Provider pursuant to Rule 3.2.3.

3.2.7 In the event that the primary Default Management Service Provider is unable to discharge its obligations, the appointing Clearing Member or the secondary Default Management Service Provider shall perform the obligations which were to be performed by the primary Default Management Service Provider.

3.2.8 A Clearing Member may only appoint a Default Management Service Provider that it is satisfied can perform all the obligations which it is being delegated without any risk of a conflict of interest. The Clearing Member shall ensure, in particular, that there are effective information barriers between the activities performed on behalf of the Clearing Member and those performed on behalf of any other person including the Default Management Service Provider.

3.3 Provision of information

3.3.1 Each Clearing Member shall provide to the Clearing House in accordance with the Membership Procedure:

(a) its annual audited financial statements prepared in accordance with Applicable Law within five (5) Business Days of submission of the same to its primary Regulatory Authority for financial services or, if it does not have such a Regulatory Authority, within sixty (60) Business Days of its financial year end; and

(b) any other financial statements as are provided to the Clearing Member's primary Regulatory Authority for financial services within thirty (30) calendar days of such financial statements having been provided to such Regulatory Authority or, if it does not have such a Regulatory Authority, monthly unaudited financial reports within fifteen (15) Business Days of the relevant month end.

3.3.2 Each Clearing Member agrees that the Clearing House may at any time request information to which it is entitled under the Rules from a Regulatory Authority and that the Clearing House may receive such information and disclose it to any of its Affiliates and any Exchange, any Settlement Bank, Custodian or other person which provides data, services or systems to the Clearing House and any of their Affiliates, sub-contractors and delegates to the extent necessary or expedient for the purpose of the provision of those services. To the extent such information is confidential in accordance with Rule 2.7.1, the Clearing House shall use its reasonable endeavours to ensure that any person receiving such information will keep that information confidential on equivalent terms to those set out in Rule 2.7.1.

3.4 Notification Requirements

3.4.1 Each Clearing Member shall notify the Clearing House in writing immediately in the event of any of the following:

(a) it ceases to be able to satisfy any of the Membership Criteria or reasonably believes it may cease to be able to do so;

(b) any material changes are made to the information previously provided to the Clearing House including that relating to its Nominee, Transaction Manager and any Default Management Service Provider;

(c) the Clearing Member is notified that a Regulatory Authority is to take disciplinary or other formal action against, the Clearing Member, its Guarantor or Parent Undertaking, which relates to its status and performance as a Clearing Member under the Rules; or

(d) any change in the location of its centre of main interests.

3.4.2 Each Clearing Member shall give the Clearing House prompt prior written notice of any material change in its form or organisation, ownership structure, or business operations, including:

(a) a merger, combination or consolidation between the Clearing Member and another person;

(b) a change in the direct or indirect beneficial ownership of 10% (ten per cent.) or more of the equity of the Clearing Member;

(c) the sale of a significant part of the Clearing Member's business or assets to another person; and

(d) a material change in its business operations.

3.4.3 The Clearing House shall be entitled to require each Clearing Member to provide it with a report on its large positions as notified by the Clearing House, as and when requested.

3.4.4 All information provided to the Clearing House shall be in English.

3.4.5 Each Clearing Member shall furnish to the Clearing House such documents in a timely manner with respect to any of the foregoing events as the Clearing House may from time to time reasonably request.

3.4.6 All information provided to the Clearing House by or on behalf of the Clearing Member shall be accurate, complete and not misleading and shall be provided in a format approved by the Clearing House.

3.4.7 Each Clearing Member shall notify the Clearing House in writing immediately upon becoming aware that its primary and/or secondary Default Management Service Provider is unable to comply with its obligations to the Clearing Member and provide a

plan setting out how the Clearing Member intends to resolve the situation to the satisfaction of the Clearing House.

3.5 Prohibitions

3.5.1 A Clearing Member shall not:

(a) breach (i) any Applicable Law or requirements of a Regulatory Authority which relates to its status and performance as a Clearing Member under the Rules; or (ii) any of these Rules;

(b) engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, fraud or which is in breach of any similar Applicable Law;

(c) engage in any other practice which the Clearing House reasonably considers to be capable of impairing the financial integrity of the Clearing House;

(d) take any action which in the reasonable opinion of the Clearing House is likely to bring the Clearing House or any of the Clearing Members into disrepute or otherwise damage the reputation of the Clearing House;

(e) provide to the Clearing House, report or disseminate false, misleading or inaccurate information about a Transaction or Contract;

(f) breach any terms of a Contract or enter into any Contract intending to default on the same or having no reasonable grounds for believing that it would be possible to avoid such a default; or

(g) use any of the facilities provided by the Clearing House in contravention of the Rules or other than for the purpose of conducting its business as a Clearing Member.

3.6 Right to audit

3.6.1 The Clearing House shall be entitled to conduct audits on each Clearing Member's compliance with the Clearing Rules. Each Clearing Member shall:

(a) provide such information, books and records as the Clearing House may, on prior notice, reasonably request; and

(b) cooperate with the Clearing House in the same way as set out in Rule 9.2.2 for such purposes save that the Clearing Member shall not be required to permit

access to its business premises if the Clearing House has not provided reasonable prior notice.

3.6.2 The Clearing House shall keep records in accordance with the requirements in EMIR.

3.7 General Actions available to the Clearing House

3.7.1 Notwithstanding any other Rule, in order to protect the integrity of its clearing arrangements or to avoid the introduction of uncertainty, volatility or risk into the financial markets, the Clearing House may, in its absolute discretion, take any of the following actions:

(a) require a Clearing Member to increase its capital;

(b) increase a Clearing Member's Collateral Requirement;

(c) require a Clearing Member to decrease the size or volume of its Contracts;

(d) prohibit a Clearing Member from entering into any new Contracts;

(e) require a Clearing Member to cease to take any action in respect of the Contracts to which it is party save as directed by the Clearing House;

(f) transfer, which may include closing out and reopening Contracts, to another Clearing Member or Clearing Members some or all of its Contracts or Collateral (ensuring that such Contracts and/or Collateral recorded in a Client Account remain recorded in a Client Account of the same type) provided that such other Clearing Member(s) gives it prior consent to the relevant Contracts and Collateral being transferred to it;

(g) suspend a Clearing Member in accordance with Rule 3.9;

(h) impose additional accounting, reporting and other financial and/or operational requirements on a Clearing Member;

(i) close out or settle Contracts of a Clearing Member;

(j) Invoice Back any Contract provided there is an objective justification;

(k) notwithstanding Rules 2.2.12 to 2.2.14, amend the Rules to the extent it reasonably considers necessary for the purpose of mitigating a significant risk to the Clearing House (including by mitigating a significant risk to a Clearing Member); and/or

(l) issue such other instructions and impose such other requirements and prohibitions as it considers appropriate to protect the integrity of the Clearing House or avoid the introduction of uncertainty, volatility or risk in the financial markets.

3.7.2 Where the Clearing House increases the Collateral Requirement pursuant to Rule 3.7.1, Clearing Members are required to deliver Eligible Cash as Collateral through the arrangements set out in Rule 4.2.2 or, if there is insufficient Eligible Cash within a Clearing Member's Bank Account to allow the delivery of Eligible Cash in accordance with Rule 4.2.2 to meet the increased Collateral Requirement, the Clearing Member is required to deliver Eligible Cash via a Relevant Payment System within one (1) hour of notification of such amount if notification is received during the hours when a Relevant Payment System is open and at least one (1) hour prior to a Relevant Payment System closing and otherwise, within one (1) hour of the time at which a Relevant Payment System first opens after such notification.

3.7.3 The decision to take any of the actions set out in Rule 3.7.1 will be made jointly by the CEO, Chief Operating Officer, Chief Risk Officer and Chief Compliance Officer of the Clearing House. Before taking any of the actions set out in Rule 3.7.1 the Clearing House shall notify each of the Board of Directors and the Bank of England.

3.7.4 Before taking any of the actions set out in Rules 3.7.1(j), 3.7.1(k) and/or (l) the Clearing House shall consult with the relevant Emergency Powers Committee.

3.7.5 The Clearing House may take the actions set out in Rule 3.7.1 in respect of any Clearing Member, Clearing Members in any Membership Category or all Clearing Members as it reasonably considers appropriate.

3.8 Termination of clearing membership

3.8.1 Without prejudice to Rule 8.8, a Clearing Member may give written notice of its application to terminate its membership or membership of a particular Membership Category of the Clearing House at any time. The Clearing Member agrees that such termination shall become effective on the Membership Termination Date.

3.8.2 Subject to Rule 8.2.6 and Rule 9.4.16(e), the Clearing House may terminate the membership or membership of a particular Membership Category of the Clearing House of any Clearing Member by providing the Clearing Member with not less than thirty (30) Business Days' notice in writing.

3.8.3 Following the giving of notice by a Clearing Member of its intention to terminate its membership or membership of a particular Membership Category of the Clearing House pursuant to Rule 3.8.1, or receipt of notice of termination of membership or

membership of a particular Membership Category of the Clearing House pursuant to Rules 3.8.2, 8.2.6 and 9.4.16(e) and until the relevant Membership Termination Date, the Clearing Member shall, in respect of each Membership Category to be terminated:

(a) continue to deposit Eligible Assets to meet its Collateral Requirement and its required Contribution to each relevant Guarantee Fund and any Assessments and make all other payments due pursuant to these Rules or any Contracts to which it is party;

(b) make settlement in respect of, transfer to another Clearing Member or Clearing Members or close out any Contracts and follow any directions given by the Clearing House in respect of such Contracts;

(c) cooperate in the transfer of any Collateral deposited with the Clearing House relating to a Contract which is transferred to another Clearing Member or Clearing Members to the relevant Account relating to such other Clearing Member or Clearing Members;

(d) remain subject to claims against its Contribution and make any Assessments pursuant to Rules 7.2 and 8.7;

(e) remain subject to the Clearing House's jurisdiction as set out in Chapter 8 until any actions arising as a result of a Declaration of Default having been served on the Clearing Member have been completed; and

(f) take such other actions as the Clearing House deems necessary or appropriate to satisfy or discharge any of its remaining obligations under the Rules.

3.8.4 Following notice of the termination of a Clearing Member's membership or membership of a particular Membership Category of the Clearing House, the Clearing House may, at its reasonable discretion and in the interests of risk management, establish, amend or revoke Position Limits for the Clearing Member. The Clearing House will inform the Clearing Members of their Position Limits as soon as reasonably practicable. In the event the Clearing House reduces a Clearing Member's Position Limits, it shall allow the Clearing Member reasonable time to properly manage its Contracts accordingly.

3.8.5 A Clearing Member shall remain subject to the Rules in Chapter 9 with respect to matters that occurred prior to the relevant Membership Termination Date provided that the Clearing House gives written notice of the commencement of an inquiry into such matters to the former Clearing Member within one (1) year of the relevant Membership Termination Date.

3.8.6 A Clearing Member's ability to clear a particular type of Transaction may be terminated without affecting the ability of the Clearing Member to clear another type of Transaction within the same Membership Category. In this event and for the purposes of Rules 3.7.5 and 3.10 only, Rule 3.8.3 and the definition of Membership Termination Date shall be construed as relating only to Contracts relating to the relevant type of Transaction.

3.9 Suspension

3.9.1 A Clearing Member which is suspended may not submit Transactions to the Clearing House for clearing but shall continue to comply with the Rules and take such actions as the Clearing House deems necessary or appropriate.

3.10 Refund of Collateral, Contribution, Assessments and Optional Payments

3.10.1 Without prejudice to Rule 8.8, if a Clearing Member or the Clearing House terminates the Clearing Member's membership of the Clearing House in respect of a Membership Category in accordance with Rule 3.8, the Clearing House terminates all IRS Contracts pursuant to Rule 8.10, the Clearing House terminates all Exchange Contracts pursuant to Rule 8.12 or the Clearing House terminates any or all Contracts pursuant to Rule 8.13, the Clearing House shall return that part of the terminating Clearing Member's Collateral, Contribution in respect of the relevant Guarantee Fund, Assessments and Optional Payments that:

(a) has not been applied pursuant to the Rules as at:

(i) the relevant Membership Termination Date; or

(ii) as the context requires, the date that the Clearing House certifies as being the date on which all steps under Rule 8.10 have been completed;

(b) is not required by the Clearing House pursuant to the Rules; and

(c) if the Clearing House has taken action pursuant to Rule 8.13, has not been transferred to another clearing house.

Where a Clearing Member is terminating its ability to clear a particular type of Transaction within a Membership Category in accordance with Rule 3.8.6, the part of the Clearing Member's Collateral, Contribution in respect of the relevant Guarantee Fund, Assessments and Optional Payments (if relevant) to be returned shall be determined by the Clearing House by reference to the Contracts that related to the relevant type of Transaction only.

3.10.2 The amount calculated pursuant to Rule 3.10.1 shall be returned to the terminating Clearing Member within thirty (30) Business Days of:

(a) the Membership Termination Date; or

(b) as the context requires, the date that the Clearing House certifies as being the date on which all steps under Rule 8.10 have been completed or the Clearing House reasonably determines as being the date on which all the steps under Rule 8.12 or 8.13 have been completed.

3.10.3 All amounts chargeable against a Clearing Member's Collateral, Contribution, Assessments and Optional Payments on account of Contracts of the relevant Membership Category entered into while it was a Clearing Member shall be deducted from the amount returned.

3.10.4 (a) A Clearing Member's right to repayment of its Collateral, Contribution, Assessments or Optional Payments received by the Clearing House; or

(b) A Contract CM Client's right under Rule 8.5.11(a),

or, in each case, any part of it, shall not be capable of assignment or transfer by the Clearing Member or the Contract CM Client or made subject to any Encumbrance that purports to rank in priority over, pari passu with, or subsequent to, the rights of the Clearing House. Any purported Encumbrance that is made by a Clearing Member or Contract CM Client in respect of such rights shall be void.

3.10.5 Notwithstanding any other provision of the Rules, no Clearing Member shall have any right, title or interest in any Collateral, Contribution, Assessments or Optional Payments that have been transferred to the Clearing House or to its Custodian save as otherwise agreed. A Clearing Member will, subject to the provisions of the Rules (in particular, the Default Rules), only have a right to the return of Equivalent Assets. If the Clearing House is expressed to have an obligation (pursuant to this Rule 3.10 or otherwise) to transfer to the Clearing Member an amount of cash or an asset in respect of Collateral, Contribution, Assessments or Optional Payments received by the Clearing House, the Clearing House shall only be obliged to transfer an Equivalent Asset to the Clearing Member's Bank Account or the account for Eligible Securities or the Allocated Precious Metals Account referred to in Rule 4.2.6. Notwithstanding the foregoing, the Clearing House reserves the right to transfer Eligible Cash in respect of Eligible Securities and Eligible Precious Metals if an event occurs which introduces significant uncertainty, volatility or risk into the financial markets or a part thereof and the Clearing House is unable, using reasonable endeavours, to locate or obtain Equivalent Securities or Eligible Precious Metals or to value such Eligible Assets, in each case, as it may reasonably determine in accordance with the Clearing and Settlement Procedure. For these purposes, the Clearing House may not be able to locate or obtain Eligible Assets if the issuer of the Eligible Assets or a Custodian or other securities depository that was

holding them fails or it is otherwise prohibitively expensive to purchase such Eligible Securities or Eligible Precious Metals or the Clearing House is concerned that the pricing of such Eligible Securities or Eligible Precious Metals is unreliable because the relevant markets are not sufficiently liquid, transparent or are otherwise not functioning properly.

3.11 Affiliate cross guarantee

3.11.1 If any person directly or indirectly controls or owns 10% (ten per cent) or more of, or has the right to 10% (ten per cent) or more of the profits of two (2) or more Clearing Members, then each such Clearing Member shall be an **Affiliated Clearing Member** to the other.

3.11.2 Each Clearing Member shall, unless the Clearing House agrees otherwise, guarantee the obligations to the Clearing House under the Rules of all of its Affiliated Clearing Members and shall execute a written guarantee in a form acceptable to the Clearing House.

CHAPTER 3A
CLIENT CLEARING

3A.1 Clearing for Clients

3A.1.1 The Clearing Member, if permitted to do so under Applicable Laws and subject to the Clearing House being satisfied that the Clearing Member has the operational capacity to do so, may clear Transactions through the Clearing House on behalf of any of its Clients provided it satisfies the provisions of this Chapter 3A and each other relevant provision of the Rules.

3A.1.2 Before a Clearing Member accepts any Transactions for a Client it shall ensure a written agreement is in place with that Client, pursuant to which the Client agrees that:

(a) the Clearing Member acts as principal at all times to each Contract;

(b) the Client has no contractual relationship with the Clearing House (save as set out in any Client Clearing Document, Client Protection Agreement, Client Acknowledgement or FS Document into which the Clearing House may have entered in relation to a Client); and

(c) the Client shall not have any rights under the Rules, any Contract, the Clearing Membership Agreement or otherwise, save for the rights (if any) which a Contract CM Client may have as a result of entering into a Client Acknowledgement or any liability which by law may not be excluded.

3A.1.3 Where a Clearing Member accepts any Transactions for a Client:

(a) it shall provide such information about the Client or Affiliate (as the case may be) as the Clearing House may reasonably request to the Clearing House promptly on request by the Clearing House, including an authorised signatory list for each Client;

(b) it must require each Client to comply with such security obligations as the Clearing House may reasonably require; and

(c) it must use its reasonable endeavours to procure that each Client cooperates with the Clearing House in the event of any action being taken against the Clearing Member in the same way as set out in Rule 9.2.2 save that the Clearing House shall be required to give reasonable notice to the Client of any such cooperation it requires and, in particular, the Client shall not be required to permit access to its business premises without reasonable notice.

3A.1.4 The Clearing Member shall:

(a) provide the Clearing House with an accurate, current and complete list of its Clients; (i) when it first commences providing services to Clients in accordance with this Chapter 3A and (ii) subsequently, on a monthly basis; and

(b) notwithstanding Rule 3A.1.4(a), provide to the Clearing House an accurate, current and complete list of its Clients upon request from the Clearing House,

notwithstanding Rule 3A.1.4(a) and (b), the Clearing Member may provide to the Clearing House an updated list of its Clients at any time.

3A.1.5 The Clearing House will not have any obligations or liabilities to persons other than the Clearing Member save as explicitly set out in the Rules and (in the case of a Contract CM Client) a Client Acknowledgement. The consequences of any Contracts arising, existing or being settled or subject to delivery are the sole responsibility of the Clearing Member.

3A.1.6 The Clearing Member is responsible and liable for all acts and omissions of each of its Clients and their Representatives in relation to the submission of Transactions to the Clearing House and the clearing of the Contracts resulting from such Transactions to the same extent that it is responsible and liable for the acts and omissions of itself and its Representatives.

3A.1.7 Where a Clearing Member accepts a Transaction for a Client, the Clearing Member shall require the Client to provide it with collateral with a value not less than the value of the Clearing Member's Collateral Requirement in respect of such Transaction, which may not necessarily take the same form of such Collateral, or the Clearing Member shall advance credit in respect of the Client of not less than the value of such Collateral.

3A.1.8 The Clearing Member shall, at the request of the Clearing House, immediately take action to ensure that no further Transactions are cleared on behalf of a Client by reducing its credit limits or other relevant limits relating to that Client to zero in the event the Clearing House reasonably believes the Client is in breach of any of the prohibitions referred to in Rule 3A.2.1(f).

3A.1.9 The Clearing Member represents and warrants that each of its Clients and Third Party Trade Delegates is an eligible counterparty or a professional client as defined by the FCA or are Clients who have an equivalent designation according to the rules of the relevant Regulatory Authority.

3A.1.10 A Clearing Member shall not clear Transactions on behalf of any Client if it is prohibited from doing so as a result of any sanctions administered or imposed by the European Union, HM Treasury, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United Nations Security Council, any other Regulatory Authority or any other government entity or regulatory authority which has jurisdiction over the Client.

3A.2 **Client Agreement**

3A.2.1 The Clearing Member shall be party to a Client Agreement with each Client for which it holds an Individual Client Account or which is part of an Omnibus Client Account. The Client Agreement shall incorporate provisions with the following effect:

(a) Corresponding Transactions shall be transacted pursuant to the terms of the Client Agreement and be segregated (contractually or otherwise) from any other transactions entered into between the Clearing Member and the Client;

(b) the Client must have the right to terminate all Corresponding Transactions in the event the Clearing House issues a Declaration of Default to a Clearing Member in accordance with the Default Rules;

(c) if a Corresponding Transaction is terminated due to the Clearing House issuing a Declaration of Default in accordance with the Default Rules, the net replacement value of the Corresponding Transaction shall be;

(i) where due to the Client, equal or be greater than; or

(ii) where due from the Client, equal or be less than;

the value attributed by the Clearing House to the Contract to which the Corresponding Transaction relates following the issuance of such Declaration of Default;

(d) the Clearing Member shall have the right in the event of an Insolvency Event relating to the Clearing House, to terminate the Corresponding Transaction;

(e) that "two way payments" arise in the event of a termination of all Corresponding Transactions, the substantive effect of which is that either a Clearing Member or a Client will be entitled to receive payment under the relevant termination provisions if the net replacement value of all terminated Corresponding Transactions effected under the Client Agreement is in its favour; and

(f) that the prohibitions set out in Rule 3.5.1 as amended below are imposed on the Client in relation to the Client's submission of Transactions to the Clearing House and its activities in relation to the clearing of the Contracts that result from such Transactions:

(i) in Rules 3.5.1(a) and 3.5.1(b), the references to the Clearing Member are references to the Client;

(ii) Rule 3.5.1(f) is deleted; and

(iii) in Rule 3.5.1(g) the words "or other than for the purpose of conducting its business as a Clearing Member" are deleted.

3A.2.2 If a Contract is transferred to an Adopting Clearing Member in accordance with Rule 8.4.6, 8.4.12 or 8.4.13, the Corresponding Transaction entered into by the Client and the Defaulting Clearing Member will also terminate and a new Corresponding Transaction will be entered into between the Client and the Adopting Clearing Member.

3A.2.3 Any changes made to the terms of a Contract by the Clearing House shall be deemed to be reflected in the Corresponding Transaction.

3A.2.4 To the extent there is no Client Agreement in full force and effect or there is any deficiency in the Client Agreement, the Clearing Member and the Client will be deemed to have entered into a binding agreement into which the terms set out in Rule 3A.2.1 shall be deemed to have been incorporated.

3A.2.5 The Clearing Member shall notify the Clearing House in the event that any Client either appoints it as an Adopting Clearing Member or terminates an existing appointment as an Adopting Clearing Member.

3A.3 Collateral

3A.3.1 Subject to Rule 3A.3.3, the arrangements for collateral in relation to Corresponding Transactions with Clients who have an Individual Client Account or which are part of an Omnibus Client Account must provide that collateral is provided by a Client to a Clearing Member in such form as agreed between the Client and the Clearing Member free and clear of any Encumbrances of the Client or of any other person (other than a lien routinely imposed on all securities in a relevant settlement system or central securities depository, not being the Clearing House) so that the Clearing Member has the right to deal with the collateral in any manner and an obligation to return equivalent collateral or the value thereof, in the form of cash or securities, to a Client.

3A.3.2 Where a Clearing Member holds cash in respect of a Client as client money in accordance with the FCA's Client Assets Handbook, the Clearing Member shall notify the Clearing House that the Client Account it requests in respect of such Client will be used to hold Eligible Cash that constitutes client money. The Clearing House may impose additional requirements in relation to any such Client Accounts as set out in the Risk Management Procedure. For the avoidance of doubt, the Clearing House will not

hold any securities as custodian, nor any cash as client money pursuant to the FCA's Client Assets Handbook.

3A.3.3 Notwithstanding Rule 3A.3.1, to the extent the FS Documents require different collateral arrangements to apply in relation to Contracts and Corresponding Transactions with Clearing Members and Clients who have an FS Individual Client Account, such alternative collateral arrangements shall apply between the Client, the Clearing Member and the Clearing House.

3A.4 Other agreements

3A.4.1 Before accepting any Transactions for a Client which will be recorded in either an Individual Client Account or an Omnibus Client Account, to be submitted for clearing by the Clearing House:

(a) each Security CM shall:

(i) enter into a Client Protection Agreement with the Clearing House and either;

(A) the Client and return a copy of the Client Protection Agreement to the Clearing House; or

(B) the Security Trustee, in which case the Security CM shall also enter into a Security Trust Deed with the Security Trustee and return a copy of the Client Protection Agreement and Security Trust Deed to the Clearing House; and

(ii) where the Client is intended to benefit from the Security Trust Deed, enter into a Client Acknowledgement with the Clearing House and the Client and return a copy of the Client Acknowledgement to the Clearing House: where a Client Protection Agreement has been entered into with the Client, a Client Acknowledgement will be deemed to have been entered into; and

(b) each Contract CM shall enter into a Client Acknowledgement with the Clearing House and the Client and return a copy of the Client Acknowledgement to the Clearing House.

3A.4.2 Where any formalities or registration requirements apply in respect of the Client Protection Agreement (and any other document which the Clearing House may from time to time determine), a Clearing Member is required to comply with such requirements or to procure that such requirements are complied with. The Clearing

Member shall provide such confirmation as may be required by the Clearing House to demonstrate compliance with such obligations.

3A.5 Clearing Member's records and information

3A.5.1 The Clearing Member shall keep accurate and up-to-date records of the Contracts and Collateral relating to each Client in respect of which Contracts are recorded in an Individual Client Account or an Omnibus Client Account and the Collateral in respect of such Contracts. The Clearing Member shall provide information about the Contracts and Collateral relating to each Client to the Clearing House at its reasonable request, including, where requested, at the end of each Business Day.

3A.5.2 The Clearing Member, or its insolvency practitioner following a Declaration of Default, shall promptly provide the information specified in Rule 3A.5.1 to the Clearing House:

(a) at the reasonable request of the Clearing House; and

(b) on a Declaration of Default

3A.5.3 The Clearing House shall provide to the Clearing Member on each Business Day information on the Contracts and the value of Collateral recorded in its books and records in relation to each of its Individual Client Accounts and Omnibus Client Accounts. The Clearing House shall be entitled to assume that the Clearing Member agrees that such information is correct if it does not receive written notice from the Clearing Member otherwise within twenty-four (24) hours of the date when the information was published by the Clearing House. The Clearing House may correct its reports and make any adjustment for the relevant Account on the next Business Day following the receipt of notice from the Clearing Member. If the Clearing Member notifies the Clearing House that the information is not correct after twenty-four hours of the date when the information was published by the Clearing House, the Clearing House will use reasonable endeavours to make the adjustment to the relevant Account.

3A.6 Transfer

3A.6.1 In relation to Clients in respect of which Contracts are recorded in a Client Account, the Clearing House will, notwithstanding Rule 5.3.1, effect a transfer of all rights and liabilities of a Clearing Member (the **Transferor Clearing Member**) under a portfolio of Contracts relating to a Client and the Collateral relating to such portfolio of Contracts to another Clearing Member (the **Transferee Clearing Member**) if requested to do so by the Client and provided:

(a) the Transferor Clearing Member consents to such transfer, such consent to be promptly given where there are no conditions to such a transfer or where any

conditions to such a transfer set out in the Client Agreement have been satisfied, which the Clearing House shall be entitled to assume provided the Clearing Member does not notify it otherwise within two (2) Business Days of the Clearing House notifying the Clearing Member of the Client's request;

(b) the Transferee Clearing Member and the Clearing House consent to the transfer of such Contracts and the transfer would not cause the credit limits or Position Limits applicable to either the Transferee Clearing Member or the Client pursuant to Rules 5.1.7 and 5.1.8 to be exceeded; and

(c) the Transferor Clearing Member, the Transferee Clearing Member and the Clearing House agree on the Collateral to be transferred in respect of the Contracts unless the Transferor Clearing Member or the Transferee Clearing Member agrees to provide alternative Eligible Assets to the Clearing House as Collateral in respect of the Contracts;

(d) the Transferor Clearing Member, the Transferee Clearing Member and the Clearing House agree which of the Transferor Clearing Member and the Transferee Clearing Member will be responsible for providing any additional Assets that may be required as Collateral by the Clearing House during the course of or as a result of the transfer; and

(e) the Clearing House has not issued a Declaration of Default in respect of either the Transferor Clearing Member or the Transferee Clearing Member,

upon transfer of a Contract pursuant to Rule 3A.6.1, the Transferor Clearing Member will be released and discharged from all its rights and obligations under the Contract and a the Transferee Clearing Member will assume all such rights and obligations under the Contract.

3A.6.2 For the avoidance of doubt Rule 3A.6.1 applies in respect of:

(a) a transfer of some but not all of the Contracts and Collateral related to any Client Account; or

(b) a transfer to more than one Transferee Clearing Member; and

(c) a transfer to a Transferee Clearing Member which does not occur in a single transfer,

in each case at the request of the Client to which such Contracts relate.

3A.7 Amendments to Client Protection Agreement, Security Trust Deed and Client Acknowledgement

3A.7.1 The Clearing House may publish revised standard forms of the Client Protection Agreement, Security Trust Deed and Client Acknowledgement from time to time. To the extent that the Clearing House publishes a proposed amendment to an existing Client Protection Agreement, Security Trust Deed and/or Client Acknowledgement which has been entered into by a Clearing Member and (if relevant) a Security Trustee, the Clearing Member and (in the case of a Client Acknowledgement only) the Contract CM Client shall grant its consent to such proposed amendment if the Clearing House is of the reasonable opinion that such amendment:

(a) will not be materially prejudicial to the relevant Client(s) which benefit from such Client Protection Agreement, Security Trust Deed and/or Client Acknowledgement;

(b) is of a formal, minor or technical nature or to correct a manifest or proven error;

(c) is necessary to cure an ambiguity or inconsistency;

(d) is necessary to reflect a change in the Rules; or

(e) is as a result of Applicable Law.

3A.8 Indirect client clearing

3A.8.1 Where a Clearing Member provides indirect client clearing services to any of its Clients it will notify the Clearing House which of its Client Accounts relate to such indirect client clearing services (each an **Indirect Client Account**) and the Clearing House shall establish the requisite Indirect Client Accounts in its books and records.

3A.8.2 The Clearing Member shall notify the Clearing House in the event that a Client that provides indirect client clearing services fails to discharge any of its obligations to the Clearing Member or the Clearing Member believes that a Client is, or is likely to be, unable to discharge any obligation to the Clearing Member.

3A.8.3 The Clearing House will, on receipt of sufficient evidence to enable it to reasonably believe that the Client has failed, or is unlikely to be able, to discharge any of its obligations take reasonable steps to facilitate the transfer of an Indirect Client Account by changing in its books and records the identity of the Client or the Clearing Member to which the Indirect Client Account relates and/or agreeing to a novation of a Client Protection Agreement or entering into a Client Protection Agreement with the new Client or Clearing Member.

3A.9 Early Termination of Corresponding Transactions due to the default of Client or otherwise under Client Agreement

3A.9.1 If Corresponding Transactions are terminated, or will be terminated, due to the default of the Client or for any reason other than the Clearing House issuing a Declaration of Default with respect to the Clearing Member, and the Clearing Member notifies the Clearing House in writing, the following actions will be taken:

(a) with respect to all Contracts credited to an Individual Client Account or a Notional Sub-Account relating to the Client (the **Client Affected Contracts**), the Clearing House and the Clearing Member will:

(i) enter into equal and opposite Contracts to the Client Affected Contracts with respect to such Client Account and offset all Contracts with the result that no further Contracts remain outstanding; and

(ii) be deemed to have immediately entered into Contracts recorded in respect of the House Account which replicate the terms of the Client Affected Contracts; and

(b) the Clearing House shall not be required to verify, and shall be entitled to rely on, the information provided by the Clearing Member pursuant to this Rule 3A.9.1.

3A.10 FS Individual Client Accounts

3A.10.1 A Clearing Member which clears a Client's Transactions through an Individual Client Account may request the Clearing House to establish an FS Account relating to that Individual Client Account in accordance with the Fully Segregated Account Procedure, provided that:

(a) the requirements to enter into other agreements specified in Rule 3A.4 have been satisfied;

(b) the relevant FS Documents have been duly entered into to the satisfaction of the Clearing House;

(c) the Clearing Member assists, to the extent required by the FS Documents, the Clearing House, the relevant FS Custodian and the relevant Security Trustee to conduct "know your client" checks on the Client by providing any information reasonably requested by such party; and

(d) any other requirement, reasonably requested by the Clearing House, is satisfied.

3A.10.2 Each Individual Client Account in respect of which the requirements in Rule 3A.10.1 have been, and remain satisfied, is an FS Individual Client Account.

CHAPTER 4
ACCOUNTS

4.1 Fees

4.1.1 Each Clearing Member shall pay such fees and charges to the Clearing House as shall be specified by the Clearing House in the Fees and Charges Notice. For Clearing Members who clear Exchange Transactions such fees and charges shall include any fees and charges incurred as a result of such Exchange Transactions. The Clearing House may amend its fees and charges at any time by way of a Notice and shall endeavour, but shall not be obliged, to give prior notice of any amendment.

4.1.2 The Clearing House shall invoice each Clearing Member on a monthly basis for fees and charges incurred during the preceding month. All such fees and charges shall be reflected as a charge to, and deducted from, any House Account on such date as may be specified by the Clearing House.

4.1.3 The Clearing Member shall pay interest to the Clearing House on any due but unpaid amount from the date on which the amount becomes due and payable under the Rules until the date of delivery at such rate per annum as is set out on its Website and in the Fees and Charges Notice, compounded daily.

4.1.4 All amounts set out in the Rules and elsewhere as being payable to the Clearing House shall be deemed to be exclusive of any value added tax which is chargeable on the supply to which that amount relates. Accordingly, if value added tax is chargeable on any such supply and the corresponding amount, the relevant Clearing Member shall be responsible for paying it in addition to the amount stated as payable.

4.1.5 All amounts payable to the Clearing House in connection with these Rules and any Contract shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law, in which case, the amount of the payment due shall be increased to an amount which (after making the deduction or withholding) leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

4.1.6 All amounts payable by the Clearing House in connection with the Rules, any Equivalent Distribution and any Contract shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law, in which case the Clearing House shall make that deduction or withholding and any payment required in connection therewith within the time allowed and in the minimum amount required by Applicable Law. Nothing in the Rules shall

require the Clearing House to make any additional payment or pay any compensation in respect of any such deduction or withholding.

4.1.7 Any stamp duty or stamp duty reserve tax (or any similar tax or duty) arising on, or in connection with, the transfer of Eligible Securities as Collateral, Contribution or Assessments is for the account of the Clearing Member.

4.2 Accounts

4.2.1 The Clearing House shall maintain in its books and records, as requested, one or more IRS House Accounts and one or more Standard House Accounts and, for each Clearing Member which clears Transactions on behalf of Clients, such number and type of Client Accounts as the Clearing Member may request. Any Accounts maintained by the Clearing House are for administrative purposes only and will not affect the Clearing Member's liability for all accounts opened pursuant to its membership.

4.2.2 Each Clearing Member shall maintain a Bank Account with one or more Settlement Banks and procure that each Settlement Bank shall act on the Clearing House's instructions with respect to such Bank Account in accordance with the Clearing Membership Agreement. Such instructions shall include instructions to debit the Bank Account for any amounts pursuant to the Rules including in respect of fees and charges, Collateral Requirement, Contributions, Assessments, Optional Payments, amounts due pursuant to the Contracts and penalties and instructions to provide information to the Clearing House as to whether the Settlement Bank is able to make such payments in relation to the Bank Account. The Clearing Member must ensure that each Bank Account is credited with adequate Eligible Cash or has appropriate arrangements in place in respect of it to enable the Settlement Bank to debit the Bank Account with such amounts at any time such amounts become due, notwithstanding any arrangements the Clearing Member may have in place with the Settlement Bank in relation to other amounts owing by the Clearing Member or other accounts of the Clearing Member. Each Clearing Member shall ensure that the Bank Account(s) it maintains are capable of making and receiving payments of any amounts due pursuant to the Rules in all relevant currencies as set out in the Rules or the Contract Specification for any Contract it has entered into.

4.2.3 Each Clearing Member who wishes to clear FX Contracts shall maintain an account with an Agent Bank in each currency in which it transacts FX Contracts and shall notify the Clearing House of the details of its accounts at the Agent Bank. Each Clearing Member who wishes to clear FX Contracts which are required to be settled through the CLS System shall also maintain a CLS Account, either directly or through a member of the CLS System, and shall notify the Clearing House of the details of its CLS Account.

The Clearing Member shall notify the Clearing House as soon as reasonably practicable, and in any event no later than the third Business Day preceding the next day on which the Clearing Member is due to make a delivery under an FX Contract, of any changes to the details of such account. To the extent a Clearing Member uses a member of the CLS System to access a CLS Account (which may be the same member of the CLS System as used by other Clearing Members) or uses an Agent Bank, failure by such third party or Agent Bank shall be deemed to be a failure by the Clearing Member and any action taken by such third party or Agent Bank shall be treated as being in the control of the Clearing Member.

4.2.4 Each Clearing Member shall maintain such other accounts as required by the Clearing House from time to time, and shall ensure that each institution providing such accounts shall act on the Clearing House's instructions as required by the Rules. To the extent the Clearing Member uses a third party to facilitate settlement, failure by such third party shall be deemed to be a failure by the Clearing Member.

4.2.5 In order to deposit allocated Gold to meet some or all of its Collateral Requirement, a Clearing Member shall open and maintain one or more Allocated Precious Metals Accounts.

4.2.6 Each Clearing Member that wishes to substitute Eligible Securities or Eligible Precious Metals for Eligible Cash shall maintain an account which is capable of holding Eligible Securities or Eligible Precious Metals and in respect of which the Clearing Member has authorised the transfer of Eligible Securities to the Custodian or the transfer of Eligible Precious Metals to the Settlement Agent for Precious Metals, on the instructions of the Clearing House.

4.2.7 The Clearing House may, in its absolute discretion, decline to accept any transfer of Eligible Cash, Eligible Securities or Eligible Precious Metals.

4.2.8 All amounts payable to the Clearing House shall, unless otherwise agreed by the Clearing House, be payable by electronic transfer from the Clearing Member's Bank Account at a Settlement Bank. The Clearing Member shall continue to be liable for such amounts unless and until actually received by the Clearing House in unencumbered, fully cleared and fully available funds.

4.2.9 Upon notice from the Clearing House that a transfer of funds from the Clearing Member's Bank Account has not been effected as instructed by the Clearing House, the Clearing Member shall deliver the amount required to the Clearing House on demand.

4.3 Set off

4.3.1 The Clearing House may set off any obligation (whether matured or contingent) due to it from a Clearing Member against any obligation (whether matured or contingent) owed by the Clearing House to the Clearing Member, regardless of the place of payment, account, branch or currency of either obligation save that the Clearing House may not set off or otherwise apply by any means money credited to any Individual Client Account or Omnibus Client Account against any sum owed to the Clearing House in respect of any other Account.

4.3.2 If the obligations in relation to Rule 4.3.1 are in different currencies, the Clearing House may convert either obligation at such rate of exchange prevailing at the time of the calculation for the purpose of the set off. The Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Accounts resulting from the exercise of its rights of set off.

4.3.3 Save for the prohibitions relating to Client Accounts set out in Rule 4.3.1, nothing in this Rule 4.3 will be effective to create a charge or other security interest. The rights of the Clearing House under Rule 4.3.1 and 4.3.2 are without prejudice to and in addition to any rights of set-off, lien, netting, liquidation, combination of accounts or appropriation under the Rules or otherwise.

4.4 Direct Debit Authority

4.4.1 Pursuant to Rule 4.2.2, a Clearing Member shall at all times be party to a Direct Debit Authority in respect of each of its Bank Accounts at each Settlement Bank and any other accounts as directed by the Clearing House. The Clearing Member shall ensure that each Settlement Bank will act upon any instructions received from the Clearing House in relation to each Bank Account, notwithstanding that such instructions may result in an overdraft on any Bank Account, without any further reference to or authority from the Clearing Member.

4.4.2 A Clearing Member shall provide a copy of each Direct Debit Authority to the Clearing House. The Clearing Member shall promptly notify the Clearing House if the Direct Debit Authority is revoked, terminated or amended. The Clearing Member may not revoke or otherwise terminate any Direct Debit Authority unless and until it has notified the Clearing House of its intention to do so and set up a Bank Account at another Settlement Bank in respect of which it has entered into a Direct Debit Authority with that Settlement Bank.

CHAPTER 5
CLEARING

5.1 Submission of Transactions to the Clearing House

5.1.1 Transactions may be submitted to the Clearing House by one of the routes set out in the Procedures or the relevant Contract Module. In relation to Exchange Transactions, other than Block Transactions or EFRP Transactions, a reference to the submission of Transactions means the automatic novation of the Exchange Transaction to the Clearing House upon the matching of such Exchange Transaction on the Exchange in accordance with the Exchange Rules.

5.1.2 Each Transaction must be designated as relating to the relevant Account of the Clearing Member.

5.1.3 All Exchange Transactions entered into on behalf of a Client that are not designated by reference to a particular Account will be automatically designated as relating to a Standard Omnibus Client Account of the Clearing Member chosen by the Clearing House. The Clearing Member may re-allocate an Exchange Contract that has been recorded in such Account to another Client Account. Such re-allocation should be carried out within the time period set out in the Clearing and Settlement Procedure. Any Exchange Contracts, or related Collateral, which are not re-allocated as relating to another Client Account will remain in the Standard Omnibus Client Account referred to in this Rule 5.1.3.

5.1.4 The Clearing House may only accept a Transaction:

(a) which satisfies the relevant Contract Specification;

(b) in relation to an OTC Transaction only, which is included in the Clearing House's product referential file and conforms to the Clearing House's specified fluctuation rates;

(c) in respect of which each party is a Clearing Member or authorised by a Clearing Member to submit the Transaction to the Clearing House; and

(d) which satisfies the Clearing House's credit checks and does not cause any of the Clearing Member's Position Limits to be exceeded.

5.1.5 The Clearing House may decline to accept any Transaction if it:

(a) conflicts or appears to conflict with information received by the Clearing System from another source;

(b) is or appears to be incomplete or erroneous in any way or results or appears to result from a communications or information technology error or other problem;

(c) is a Transaction in respect of which the Clearing Member is, or the Clearing House reasonably considers that the Clearing Member is, in breach of any of the Rules including Rule 3.5;

(d) is one which any Regulatory Authority or Exchange requires or requests the Clearing House to treat as void or voided; or

(e) is otherwise made or received in such circumstances or such manner that acceptance of the Contract would, in the Clearing House's discretion, be inadvisable.

5.1.6 The Clearing House will, where permitted by Applicable Law, notify the Clearing Member in the event that it exercises its discretion to decline a Transaction.

5.1.7 The Clearing House may at any time impose a credit limit on each Clearing Member beyond which the Clearing House will not automatically accept Transactions for clearing in accordance with Rule 5.2.2 and the Clearing House may at any time reduce or increase such credit limit. The Clearing Member may allocate its credit limit among its Accounts (including its Client Accounts) as it considers appropriate and shall notify the Clearing House of such allocation and any changes in it through the Clearing System. In the event the Clearing House reduces a Clearing Member's credit limits, it shall allow the Clearing Member reasonable time to properly manage its Contracts accordingly.

5.1.8 The Clearing House may, at its discretion, establish, amend or revoke Position Limits for any Clearing Members, and shall give notice to such Clearing Member as soon as reasonably practicable. The Clearing House may enforce Position Limits which an Exchange or Regulatory Authority has imposed on a Clearing Member and of which it has notice. For the avoidance of doubt, the Clearing House shall not amend or revoke any Position Limits set by either an Exchange or Regulatory Authority without receiving an instruction from the relevant Exchange or Regulatory Authority to do so. The Clearing House shall use its reasonable endeavours to notify the Clearing Member as soon as reasonably practicable if the Clearing Member exceeds its Position Limits. In exercising its discretion under this Rule 5.1.8, the Clearing House may take into account such factors as it considers appropriate, including the financial, operational and risk management capacity and competence of the Clearing Member. In the event the Clearing House reduces a Clearing Member's Position Limits which it has established it shall allow the Clearing Member reasonable time to properly manage its Contracts accordingly. In the event that an Exchange or Regulatory Authority reduces a

Clearing Member's Position Limit, the Clearing Member must ensure that it complies with any such amended Position Limit within the timeframe set by the relevant Exchange or Regulatory Authority. Any Position Limits established by the Clearing House may be in addition to any Position Limits imposed on a Clearing Member by an Exchange or Regulatory Authority.

5.1.9 A Clearing Member will be bound by any Contract that results from a Transaction as a result of the submission of such Transaction by any of its Representatives or Clients or Third Party Trade Delegates regardless of the circumstances including whether the person submitting the Transaction was authorised to do so or whether the Transaction caused the Clearing Member to breach any credit limit or Position Limit or was in breach of any requirements or restrictions of the Rules.

5.2 Novation of Transactions

5.2.1 Each OTC Transaction submitted to the Clearing System which reflects prevailing market price at the time of submission shall be novated upon:

(a) receipt of the OTC Transaction by the Clearing House;

(b) successful completion of credit checks on each Clearing Member which is a party to the OTC Transaction (including any credit limits applicable to a person on whose behalf the Clearing Member is acting) or acceptance by each Clearing Member which is a party to the OTC Transaction; and

(c) registration of the OTC Transaction in the Clearing System.

5.2.2 Each OTC Transaction submitted to the Clearing House which does not reflect prevailing market price at the time of submission, and each Block Transaction and each EFRP Transaction shall be novated upon:

(a) receipt of the OTC Transaction, Block Transaction or EFRP Transaction by the Clearing House;

(b) successful completion of credit checks on each Clearing Member which is, or is acting on behalf of, a party to the OTC Transaction, Block Transaction or EFRP Transaction (including any credit limits applicable to a person on whose behalf the Clearing Member is acting) or acceptance by each Clearing Member which is, or is acting on behalf of, a party to the OTC Transaction, Block Transaction or EFRP Transaction; and

(c) registration of the OTC Transaction, Block Transaction or EFRP Transaction in the Clearing System,

but such novation shall be conditional on the Clearing House holding sufficient Collateral in respect of the Transaction or on receipt of confirmation from the Settlement Bank of the Clearing Member which is, or is acting on behalf of, a party to the OTC Transaction, Block Transaction or EFRP Transaction of payment of any Net Settlement Amount in respect of such OTC Transaction, Block Transaction or EFRP Transaction.

5.2.3 Each Exchange Transaction other than a Block Transaction or EFRP Transaction shall be novated at the time at which orders that create an Exchange Transaction are matched on the Exchange as determined by the Exchange Rules.

5.2.4 Upon novation as set out in Rules 5.2.1, 5.2.2 and 5.2.3, two Contracts are created on identical terms to the Transaction and:

(a) the Clearing House shall assume, for one Contract, the position of seller to the buyer and, for the other Contract, the position of buyer to the seller, in each case in respect of the Transaction;

(b) the Clearing House shall have all the rights and be subject to all the liabilities of each Clearing Member which was, or was deemed to be, party to the Transaction with respect to such Contract; and

(c) each Clearing Member which has, or is deemed to have, any rights or obligations under the Transaction shall be released and discharged from all such rights and liabilities.

5.2.5 For the purposes of Rules 5.2.1 and 5.2.2, the Clearing House shall determine in good faith whether any OTC Transaction submitted to the Clearing House reflects prevailing market price at the time of submission.

5.2.6 Each Clearing Member shall act as principal (and not as agent) to each Contract to which it is party. The Clearing House will treat each Clearing Member as being fully, legally and beneficially entitled to the rights pursuant to the Contracts and each Contract as being free from Encumbrances in favour of any person other than the Clearing House.

5.2.7 Each Contract shall remain open and in force and shall continue to be binding on the Clearing Member and the Clearing House until:

(a) it expires or is settled;

(b) it is transferred to another Clearing Member; or

(c) it is closed out or otherwise liquidated,

whichever is the earliest.

5.2.8 The terms of any Contract may only be amended, waived or varied with the prior written consent of the Clearing House.

5.2.9 The following general terms shall be deemed to be included in, or apply to, each Contract Specification:

(a) No Contract shall be required to be in writing (including electronic) nor any document be required to be signed, delivered or executed or other entry made in any record or book in order for it to become binding on the parties. Notwithstanding the foregoing, if at any time, the Clearing House considers it necessary or desirable to better implement or protect the rights and obligations of any party to a Contract, the Clearing Member shall, at its own expense, use all reasonable endeavours to enter into and execute all documents reasonably required to so implement or protect. In such circumstances, each party shall also procure that any necessary third party including a Client or Third Party Trade Delegate shall promptly execute and deliver such documents and perform such acts as may reasonably be required for the purpose of giving full effect to any Contract;

(b) While the terms of each Contract shall generally be construed and applied in accordance with the contract specification for any equivalent contract cleared by an Affiliate of the Clearing House, the Board of Directors shall be entitled to construe and apply such terms in any other way in which it is reasonable to do so;

(c) Each of the terms in each Contract Specification is severable and distinct from others. It is intended that every such term shall be and remain valid and enforceable to the fullest extent permitted by law. If any term is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, it shall to that extent be deemed not to form part of the Contract Specification but the validity, legality and enforceability of the remaining terms in the Contract Specification shall not be thereby affected or impaired;

(d) No waiver of any term of a Contract shall be effective unless the same shall be in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such term or part thereof. The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any of the Contract, shall not operate as a waiver or, or preclude any further or other exercise or enforcement of that or any other right;

(e) No person who is not the Clearing House nor a Clearing Member, including for the avoidance of doubt a Client and a Third Party Trade Delegate, shall have any rights pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of the Contract;

(f) Each Contract shall be governed by and construed in accordance with the laws of England and Wales; and

(g) The Clearing House may, in its sole discretion, delay the performance of its obligations under a Contract with a Clearing Member until that Clearing Member has performed its obligations to the Clearing House under that Contract.

5.3 Transfer of Contracts

5.3.1 All rights and liabilities of a Clearing Member (the **Transferor Clearing Member**) under a Contract recorded in respect of a House Account, which shall include the Collateral relating to such Contract, may be transferred to another Clearing Member (the **Transferee Clearing Member**) with the prior agreement of the Transferor Clearing Member, the Transferee Clearing Member and the Clearing House. The Clearing House will normally only agree to a transfer if:

(a) the transfer is being made to correct an error in the clearing of a Contract and the transfer is completed within two (2) Business Days of the date of transfer;

(b) the transfer is in connection with, or as a result of a non-recurring transaction pursuant to which the business of one Clearing Member is acquired by, merged with or assumed by the business of another Clearing Member; or

(c) the Clearing House reasonably considers that the transfer is in the interests of the Clearing House.

5.3.2 Upon transfer of a Contract pursuant to Rule 5.3.1, the Contract, together with related Collateral, is transferred from the Transferor Clearing Member to the Transferee Clearing Member so that the rights and obligations of the Clearing House and the Transferor Clearing Member under the original Contract are released and discharged and a new Contract on the same terms is created between the Clearing House and the Transferee Clearing Member.

5.4 Avoidance of Contracts

5.4.1 The Clearing House shall have the discretion to avoid any Contract if such Contract, whether in whole or in part, is or reasonably appears to the Clearing House to:

(a) conflict with information received by the Clearing House in relation to such Contract from another source, including (without limitation) information received from an Exchange, any other Clearing Member or any Regulatory Authority;

(b) result from a communications or information technology error or problem;

(c) be connected with fraud, illegality, insider dealing, market abuse, money laundering or any other breach of Applicable Laws;

(d) be one which any Regulatory Authority or Exchange requires or requests in writing that the Clearing House treats as void; or

(e) be one which Applicable Law provides is void, voidable or unenforceable by the Clearing House or which any Applicable Law requires the Clearing House to treat as void.

5.4.2 In the circumstances set out in Rule 5.4.1, the Clearing House may, at its discretion, take either or both of the following steps:

(a) direct the Clearing Member who was party to the void or voided Contract to enter into a replacement contract of equal or as near equal as possible economic terms to the void or voided Contract as a replacement contract; and/or

(b) enter into such contracts for its own account as necessary for the Clearing House to achieve a balanced book of the relevant Contract for the account and risk of the Clearing Member, including any associated costs, expenses and losses incurred in establishing such contracts.

5.4.3 Nothing in this Rule 5.4 is intended to result in any Transaction or the rights or obligations under a Transaction being void or voided by the original parties thereto.

5.5 Information and reporting

5.5.1 The Clearing House shall make available to the Clearing Member information about each Transaction it has submitted to the Clearing House and each Contract. The Clearing Member shall report any error in any such information within twenty-four (24) hours of the date of the Contract to which the error relates. The Clearing House may correct its reports and make any adjustment for the relevant Contract on the next Business Day following receipt of the notice from the Clearing Member. If the Clearing Member notifies the Clearing House that the information is not correct after twenty-four (24) hours of the date when the information was published by the Clearing House, the Clearing House will use reasonable endeavours to make the adjustment to the relevant Contract.

5.5.2 The Clearing Member shall be permitted to manage the information about each Transaction that is made available to it pursuant to Rule 5.5.1.

CHAPTER 6
COLLATERAL

6.1 General

6.1.1 Each Clearing Member shall deposit with or deliver to the Clearing House in respect of each Account such amounts of Eligible Assets as set out in this Chapter 6 and the Clearing and Settlement Procedure to reflect Margin Requirement and Variation Requirement.

6.1.2 The Clearing Member shall designate in respect of which Account the Collateral is deposited or delivered and whether the Collateral constitutes Excess Collateral. The designation shall be by value in relation to Omnibus Client Accounts.

6.1.3 The Clearing House shall determine the Variation Requirement, where relevant, in respect of each Account by marking to market the Contracts relating to that Account in accordance with the Procedures since the previous Settlement Cycle. Any profit arising as a result of marking Contracts to market shall be credited to the relevant Account and, subject to any rights of the Clearing House pursuant to the Rules, shall be paid to the Clearing Member. Any loss arising in respect of a Contract shall be debited to the Clearing Member's Account to which that Contract relates and shall be payable to the Clearing House.

6.1.4 The Clearing House shall determine the Margin Requirement in respect of each Account.

6.1.5 The Collateral Requirement minus the Collateral (if any) held in respect of each Account is the **Net Settlement Amount** in respect of that Account. For the purpose of this determination, where the Account is an FS Individual Client Account, the amount of Eligible Securities delivered to the FS Account shall only discharge the relevant portion of the Margin Requirement and not any Variation Requirement in respect of such Account. **Net Settlement Amount** shall be determined and construed accordingly. Where the Net Settlement Amount is payable to the Clearing House, the Clearing Member shall deposit with or deliver to the Clearing House Eligible Assets with a value equal to the Net Settlement Amount.

6.1.6 The Clearing House shall determine the Variation Requirement and the Margin Requirement in respect of each Account at least twice daily but may at its discretion only settle or require settlement of the Net Settlement Amount once daily, each such determination process (regardless of whether it involves settlement) being a **Settlement Cycle**. Notwithstanding the foregoing, the Clearing House reserves the right to run a Settlement Cycle and increase a Clearing Member’s Collateral

Requirement in respect of any Account at any time. The Clearing Member shall deposit with or deliver to the Clearing House the Net Settlement Amount or such increased Collateral Requirement at the end of each Settlement Cycle or as otherwise required by the Clearing House.

6.1.7 The Margin Requirement and Variation Requirement for each Account will be determined in the manner designated by the Clearing House for such Account from time to time and in accordance with the Risk Management Procedure; provided that when deemed necessary, at the discretion of the Clearing House, in order to protect the interests of the Clearing House and Clearing Members, the Clearing House may set the Margin Requirement and the Variation Requirement for any Account on the basis of a price determined by the Clearing House at its sole discretion provided that the Clearing House shall use its reasonable endeavours to notify Clearing Members of such price.

6.1.8 Where the Net Settlement Amount is payable to the Clearing House, where it relates to an FS Individual Client Account it may be provided in the form of Eligible Securities to the FS Account or otherwise it shall be provided in the form of Eligible Cash. The Clearing Member may subsequently substitute part or all of such Collateral with an amount of Eligible Securities or Eligible Precious Metals which is of an equivalent value as at the date of the substitution.

6.1.9 Each Clearing Member may at any time deposit with or deliver to the Clearing House any additional amount of Collateral as it may wish in respect of each Account. Such Collateral shall be deposited or delivered in the form of Eligible Assets or as otherwise specified in the Clearing and Settlement Procedure.

6.1.10 If, at any time, the Clearing House has Excess Collateral on deposit in respect of an Account, the Clearing Member may, save as otherwise agreed, request the transfer of Equivalent Assets in an amount equal to such Excess Collateral (or the substitution of Eligible Securities or Eligible Precious Metals of a lower market value to reduce the Excess Collateral).

6.1.11 This Rule applies notwithstanding any other Rule. It applies to Excess Collateral credited to an FS Individual Client Account and to the assets in any FS Account that are identified by the Clearing Member as comprising such Excess Collateral. If the relevant FS Security Trustee has a lien or right of retention over such Excess Collateral in accordance with the relevant FS Security Trust Deed and the Clearing House has received written notice of the same from the FS Security Trustee, then neither the Clearing House nor the relevant Clearing Member shall exercise any right or take any action under Rules 2.5 or 3.7 or Chapter 8 or (to the extent that it relates to a Defaulting Clearing Member) Chapter 11 in relation to such Excess Collateral until the FS Security

Trustee has notified the Clearing House that the liability in respect of which such lien or right of retention has arisen and been discharged.

6.1.12 The market value of all Contracts and Collateral shall be determined by the Clearing House in such manner and at such intervals as set out in the Rules, the Clearing and Settlement Procedure and otherwise at the Clearing House's discretion. In particular, the Clearing Member acknowledges that:

(a) the Clearing House may attribute a value to any Eligible Securities or Eligible Precious Metals which is less than the face or market value of such Eligible Securities or Eligible Precious Metals;

(b) the Clearing House may, from time to time, change the way in which it values Eligible Securities or Eligible Precious Metals or the extent to which the value it attributes to Eligible Securities or Eligible Precious Metals is less than the face or market value of such Eligible Securities or Eligible Precious Metals; and

(c) this may affect the Clearing Member's Collateral Requirement.

6.1.13 When determining whether an IRS Clearing Member has sufficient IRS Collateral to meet its Collateral Requirement, the Clearing House shall not include in its calculation any IRS Collateral deposited by an IRS Clearing Member during an IRS Cooling Off Period pursuant to an election made under Rule 6.1.14.

6.1.14 If, during an IRS Cooling Off Period, the Clearing House determines that there has been a material change in the business of an IRS Clearing Member which results in an increase (from the beginning of the IRS Cooling Off Period to the date of determination) of 10% (ten per cent.) or more in the aggregate Margin Requirement in respect of that IRS Clearing Member's IRS Contracts in all its IRS Accounts, then, in addition, to such increased Margin Requirement:

(a) the Clearing House may (in accordance with Rule 7.2.2) assess that IRS Clearing Member for an amount in excess of the limits set out in Rule 8.7 and such IRS Clearing Member shall provide the required Contribution to the IRS Guarantee Fund; and

(b) the IRS Clearing Member may satisfy its obligations under Rule 6.1.14 by delivering Eligible Assets as Collateral to the Clearing House on the following terms:

(i) during the IRS Cooling Off Period, such Eligible Assets shall be treated for all purposes as Collateral (not Contribution) of the IRS Clearing Member except that it shall not satisfy any Collateral Requirement but it shall

satisfy the requirement to provide Contribution under Rule 6.1.14 and calculations of IRS Assessments shall be made accordingly; and

(ii) on the first Business Day following the IRS Cooling Off Period, the Clearing House shall recalculate the IRS Guarantee Fund and transfer to the IRS Guarantee Fund the relevant amount of Eligible Assets provided as IRS Collateral pursuant to Rule 6.1.14(b)(i) as needed to satisfy the Clearing Member's revised Contribution and such transferred amount shall thereafter form part of and be treated for all purposes as a Contribution to the IRS Guarantee Fund. Any amount of Eligible Assets provided as IRS Collateral pursuant to Rule 6.1.14(b)(i) in excess of the Clearing Member's revised Contribution shall be returned to the Clearing Member at its request and will otherwise be used to satisfy the Clearing Member's Collateral Requirement.

6.1.15 To the extent a Clearing Member fails to make a payment or delivery in respect of an Account in accordance with the Rules, the Clearing House may in its discretion apply the Margin Requirement which relates to the corresponding Account to satisfy such payment or delivery.

6.2 Collateral reports

6.2.1 The Clearing House shall make available to each Clearing Member a report showing the Collateral Value, Margin Requirement, Variation Requirement and Net Settlement Amount in respect of each of the Clearing Member's Accounts at the end of each Business Day.

6.2.2 The Clearing Member shall report any error in any report made available by the Clearing House within twenty-four (24) hours of the time when the report is provided by the Clearing House, and the Clearing House may correct its reports and make any adjustment to the Net Settlement Amount for the relevant Account on the following Business Day.

6.3 Holding of Collateral

6.3.1 Unless otherwise agreed in writing with the Clearing House, the Clearing Member shall provide Collateral by way of outright transfer of full ownership of Eligible Cash or title to Eligible Securities or Eligible Precious Metals, to or to the order of the Clearing House.

6.3.2 The Clearing House shall deposit Eligible Cash received as Collateral in a bank account and it may be invested through an Investment Agent. The Clearing House shall deposit Eligible Securities received as Collateral with a Custodian or, in relation to an FS Account, with an FS Custodian. The Clearing House shall deposit Eligible Precious

Metals received as Collateral with its Settlement Agent for Precious Metals. Such Eligible Assets will be held in the name of the Clearing House unless the Clearing House determines otherwise.

6.3.3 Subject to Rule 6.3.2, the Clearing House shall deposit Eligible Assets received as Collateral as set out in the Risk Management Procedure.

6.3.4 The Clearing House will maintain records of its redelivery obligations in respect of Collateral received from or on behalf of the Clearing Member.

6.3.5 All rights, title and interest in:

(a) Eligible Assets that are transferred to or to the order of the Clearing House as Collateral; and

(b) an Equivalent Asset that is transferred to or to the order of the Clearing Member;

shall vest in the Clearing House or Clearing Member as the case may be, free and clear of any Encumbrances of the transferor or of any other person (other than a lien routinely imposed on all securities in a relevant settlement system or central securities depository, not being the Clearing House). All Distributions in respect of Eligible Assets shall belong to the Clearing House.

6.3.6 Subject to the relevant FS Documents with respect to the relevant FS Accounts only, the Clearing House shall have the right to deal with any Eligible Assets and Distributions in any manner including (without limitation) by partially or wholly investing Eligible Cash for its own account pursuant to the investment policy adopted by the Clearing House or by granting a Security Interest in favour of the FS Security Trustee.

6.3.7 Unless otherwise agreed, the Clearing House shall:

(a) transfer to or to the order of the Clearing Member an Equivalent Distribution in respect of each Distribution irrevocably received by the Clearing House; and

(b) transfer to or to the order of the Clearing Member interest on Eligible Cash transferred to the Clearing House as Collateral at such rate as the Clearing House shall in its discretion determine from time to time.

unless an Event of Default has occurred with respect to the Clearing Member, in which case, the Clearing House shall have the right to withhold the transfer to the Clearing Member until such time as the Event of Default has been remedied or a Declaration of Default is issued. In the event that a Declaration of Default is issued, any amounts withheld by the Clearing House shall form part of the calculation of the Portable Net

Sum, Single Net Sum or CCP Default Single Net Sum pursuant to Rules 2.5, 8.4 or 8.5 as relevant.

6.3.8 Nothing in these Rules is intended to or does create an Encumbrance or give the Clearing Member a proprietary interest in respect of any Eligible Assets or Distributions except in accordance with the FS Security Interest Document.

6.3.9 On each day that either the Clearing Member or the Clearing House as the case may be (the **Transferor**), transfers an asset or arranges a transfer of an asset to or to the order of the other (the **Recipient**) under the Rules, the Transferor represents to the Recipient that it is the sole legal and beneficial owner of that asset free of any Encumbrance (other than a lien routinely imposed on all securities in a relevant settlement system or central securities depository, not being the Clearing House).

6.3.10 The provisions of this Rule 6.3:

(a) create a title transfer financial collateral arrangement under the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226); and

(b) relate to the provision of margin in relation to market contracts under Part VII of the Companies Act 1989; and

(c) with respect to the provision or margin in relation to a Client Account, create a qualifying collateral arrangement under Part VII of the Companies Act 1989.

6.4 Payment Netting

6.4.1 If on any date amounts would otherwise be payable:

(a) in the same currency;

(b) from or to (as the case may be) the same Bank Account;

(c) with respect to the same Payment Type; and

(d) with respect to the same Account Type,

by the Clearing House to a non-defaulting Clearing Member or vice versa then, on such date, the obligations of the Clearing House and that Clearing Member to pay any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by the Clearing House exceeds the aggregate amount that would have otherwise been payable by the Clearing Member (or vice versa), such amount will be automatically replaced by an obligation upon the person which would have been due to pay the larger aggregate amount to pay to the other

person an amount equal to the difference between the larger aggregate amount and the smaller aggregate amount.

6.4.2 The Clearing House may, in good faith, determine in respect of two or more Payment Types or two or more Account Types or payments from or to two or more Bank Accounts that a net amount and payment obligation will be determined in respect of all amounts payable on the same date in the same currency in respect of those Payment Types, those Account Types or from or to those Bank Accounts.

CHAPTER 7
GUARANTEE FUND

7.1 General

7.1.1 The Clearing House shall maintain a Standard Guarantee Fund to which each Standard Clearing Member shall contribute as provided in this Chapter 7 and the Guarantee Fund Procedure.

7.1.2 Subject to Rule 8.5.6, the use of the Standard Guarantee Fund shall be limited to the satisfaction of claims against, or obligations of, the Clearing House arising from the issuance of a Declaration of Default in respect of a Standard Clearing Member including the costs associated with the application of the Default Rules in relation to such Defaulting Standard Clearing Member. The Contributions to the Standard Guarantee Fund of non-defaulting Standard Clearing Members shall not be used to satisfy any claims against, or obligations of, the Clearing House arising in relation to IRS Contracts.

7.1.3 The Clearing House shall maintain an IRS Guarantee Fund to which it and each IRS Clearing Member shall contribute as provided in this Chapter 7 and the Guarantee Fund Procedure.

7.1.4 Subject to Rule 8.5.5, the use of the IRS Guarantee Fund shall be limited to the satisfaction of claims against, or obligations of, the Clearing House arising from the issuance of an IRS Declaration of Default including the costs associated with the application of the Default Rules in relation to such Defaulting IRS Clearing Member. The Contributions to the IRS Guarantee Fund of non-defaulting IRS Clearing Members shall not be used to satisfy any claims against, or obligations of, the Clearing House arising in relation to Standard Contracts.

7.2 Calculation of Contributions

7.2.1 Each Standard Clearing Member shall be required to provide to, and maintain with, the Clearing House a Contribution to the Standard Guarantee Fund of such amount as is notified to the Clearing Member from time to time. The Guarantee Fund Procedure contains an explanation of the calculation of the Standard Guarantee Fund.

7.2.2 Each IRS Clearing Member shall be required to provide to, and maintain with, the Clearing House a Contribution to the IRS Guarantee Fund of such amount notified to the IRS Clearing Member from time to time. The Guarantee Fund Procedure contains an explanation of the calculation of the IRS Guarantee Fund.

7.2.3 Each Standard Clearing Member's Contribution shall be re-assessed at the end of each calendar quarter or more frequently if the Clearing House so determines (including after each Standard Cooling Off Period). The Standard Clearing Member's Contribution shall be re-assessed at the above intervals throughout a Standard Cooling-Off Period but, without prejudice to Rule 8.7, the Standard Clearing Member shall not be required to make any Contribution during this period. The Clearing House shall notify the Standard Clearing Member of any change in the amount of the Contribution to the Standard Guarantee Fund which the Standard Clearing Member is required to make.

7.2.4 Each IRS Clearing Member's Contribution shall be re-assessed at the end of each calendar month or more frequently if the Clearing House so determines (including after each IRS Cooling Off Period with respect to the IRS Guarantee Fund). The IRS Clearing Member's Contribution shall be re-assessed at the above intervals throughout an IRS Cooling-Off Period but, save as set out in Rule 6.1.14 and without prejudice to Rule 8.7 the IRS Clearing Member shall not be required to make any Contribution during this period. The Clearing House shall notify the IRS Clearing Member of any change in the amount of the Contribution to the IRS Guarantee Fund which the IRS Clearing Member is required to make.

7.2.5 The Clearing Member shall provide any additional Contribution to the Clearing House before 15:00 on the next Banking Day following the date on which the Clearing House makes such notification pursuant to Rules 7.2.3 and 7.2.4 and agrees that the Clearing House may debit any such additional Contribution from the Clearing Member's Bank Account in accordance with Rule 4.2.2.

7.2.6 If, following a re-assessment of a Clearing Member's Contribution to a Guarantee Fund, the Contribution such Clearing Member has already made to a Guarantee Fund is greater than the Contribution the Clearing House requires, the Clearing Member may request the Clearing House to return excess Eligible Assets or may make arrangements with the Clearing House to substitute Eligible Securities of a lower market value.

7.3 Form of Contributions, Assessments and Optional Payments

7.3.1 Unless otherwise agreed in advance with the Clearing House, the required Contribution to a Guarantee Fund, any required Assessment and any Optional Payment shall be provided in the form of Eligible Cash. The Clearing Member may subsequently substitute part or all of a Contribution with an amount of Eligible Securities which is of an equivalent value as at the date of substitution.

7.3.2 The Clearing Member acknowledges, in relation to Contributions that:

(a) the Clearing House may attribute a value to any Eligible Securities which is less than their face or market value;

(b) the Clearing House may, from time to time, change the way in which it values Eligible Securities or the extent to which the value it attributes to Eligible Securities is less than their face or market value; and

(c) this may affect the Clearing Member's obligations to transfer amounts of Eligible Assets as Contributions.

7.4 Holding of Contributions, Assessments and Optional Payments

7.4.1 The Clearing Member shall provide Contributions, Assessments and Optional Payments to the Clearing House by way of outright transfer of full ownership of such cash or title to such securities, as appropriate, to or to the order of the Clearing House.

7.4.2 Rules 6.3.5 to 6.3.10(a) shall apply to Contributions, Assessments and Optional Payments provided to the Clearing House in the same way as such Rules apply to Collateral.

7.5 Recourse to a Guarantee Fund

7.5.1 If, after the Clearing House has applied in accordance with Rule 7.1.2 part or all of the Contribution of a non-defaulting Standard Clearing Member to discharge some or all of the Defaulting Standard Clearing Member’s liabilities in relation to Standard Contracts, the Clearing House makes a recovery in respect of those liabilities, the amount of such recovery (net of any deductions made at the discretion of the Clearing House to reflect its costs of recovery and any related tax liability) shall be credited to the non-defaulting Standard Clearing Members whose Contributions were applied in relation to such Defaulting Standard Clearing Member in proportion to (but not exceeding) the amounts so applied from the Standard Guarantee Fund, whether or not they are still Standard Clearing Members.

7.5.2 If, after the Clearing House has applied in accordance with Rule 7.1.4 part or all of the Contribution of a non-defaulting IRS Clearing Member to discharge some or all of the Defaulting IRS Clearing Member’s liabilities in relation to IRS Contracts, the Clearing House makes a recovery in respect of those liabilities, the amount of such recovery (net of any deductions made at the discretion of the Clearing House to reflect its costs of recovery and any related tax liability) shall be credited to the non-defaulting IRS Clearing Members whose Contributions were applied in relation to such Defaulting IRS Clearing Member in proportion to (but not exceeding) the amounts so applied from the IRS Guarantee Fund, whether or not they are still IRS Clearing Members.

CHAPTER 8
DEFAULT

8.1 Application of the Default Rules

8.1.1 The Clearing House may take the actions set out in the remainder of these Default Rules in respect of a Clearing Member in the event of any of the following circumstances (each an **Event of Default**):

(a) the Clearing Member fails to discharge any obligation to the Clearing House, whether under the Clearing Membership Agreement, the Rules or any Contract or otherwise;

(b) the Clearing Member notifies the Clearing House that it is, or is likely to be, unable to discharge any obligation to the Clearing House, whether under the Clearing Membership Agreement, the Rules or any Contract or otherwise;

(c) the Clearing House believes that a Clearing Member is, or is likely to be, unable to discharge any obligation to the Clearing House, whether under the Clearing Membership Agreement, the Rules or any Contract or otherwise.

8.1.2 Without prejudice to the generality of Rule 8.1.1, the Clearing House may take into account any or all of the following events in determining whether an Event of Default has occurred:

(a) the Clearing Member or any of its Affiliates or Affiliated Clearing Members or Default Management Service Providers is subject to an Insolvency Event; or

(b) the Clearing House reasonably considers that the financial condition of the Clearing Member or any of its Affiliates or Affiliated Clearing Members or Default Management Service Providers is such that to allow the Clearing Member to continue its operation as such would introduce an unacceptable level of risk to the Clearing House or its Clearing Members.

8.1.3 The CEO, or any other executive director of the Clearing House whom the CEO has authorised for the purpose, has absolute discretion to determine whether an Event of Default exists and, if such a determination is made, whether to take the actions set out in the remainder of the Default Rules. The CEO or such other executive director may consult the Emergency Committee for both purposes. The composition of the Emergency Committee shall be determined by the Clearing House from time to time.

8.2 Actions on a Declaration of Default

8.2.1 If, being satisfied that an Event of Default has occurred, the CEO or other executive director decides to take the actions set out in the remainder of the Default Rules, the Clearing House shall, having first notified the Bank of England:

(a) notify such decision in writing to the Defaulting Clearing Member (a **Declaration of Default**);

(b) provide a copy of the Declaration of Default to the Bank of England; and

(c) publish a Notice of the Declaration of Default on the Website.

8.2.2 A Declaration of Default will be given by the Clearing House by:

(a) email to the email address provided by the Defaulting Clearing Member for service of notices under the Clearing Membership Agreement or the email address of any member of the board of directors or any other person specified by the Bank of England and the Declaration of Default will be deemed to be issued on receipt by the Clearing House of an automated delivery receipt or confirmation of receipt from the relevant server if given by email;

(b) fax to the fax number provided by the Defaulting Clearing Member for service of notices under the Clearing Membership Agreement and the Declaration of Default will be deemed to be issued on a confirmed completion of transmission if given by fax; or

(c) publication of a Notice on the Website.

Notwithstanding the foregoing, the Clearing House may give confirmation of a Declaration of Default to the Defaulting Clearing Member by personal delivery or recorded or special delivery post in accordance with the Clearing Membership Agreement.

8.2.3 Upon the Clearing House issuing a Declaration of Default, the Defaulting Clearing Member shall:

(a) subject to Rule 8.2.3(c), cease to take any action in respect of its Contracts;

(b) subject to Rule 8.2.3(c), not enter into any new Contracts; and

(c) comply with directions of the Clearing House.

8.2.4 Upon the Clearing House issuing a Declaration of Default, each non-defaulting Clearing Member shall work cooperatively with the Clearing House, the Risk Committee and, if

applicable, the relevant Default Management Committee. In particular, each non-defaulting Clearing Member shall:

(a) if an IRS Clearing Member, cooperate in convening the IRS Default Management Committee and, if applicable, the IRS Active Default Committee, in accordance with its terms of reference and the Default Management Overview Document including, if applicable, by procuring that any individual referred to in Rule 3.2.1(o) that is a member of the IRS Active Default Committee performs his or her role as such;

(b) if requested, provide commercially reasonable bids for Contracts hedging Affected Contracts in accordance with the Default Management Overview Document;

(c) participate in any auction of the Defaulting Clearing Member's open positions under any Affected Contracts, in accordance with the Default Management Overview Document;

(d) not enter into any new Transactions with the Defaulting Clearing Member save to the extent directed by the Clearing House; and

(e) comply with any reasonable directions of the Clearing House.

8.2.5 Upon the Clearing House issuing an IRS Declaration of Default an IRS Active Default Committee shall be convened.

8.2.6 Upon the Clearing House issuing a Declaration of Default or at any time afterwards, the Clearing House may terminate the Defaulting Clearing Member's membership of the Clearing House by giving written notice to the Defaulting Clearing Member. The Defaulting Clearing Member shall remain subject to Rules 3.8.3 and 3.8.5.

8.2.7 Upon or shortly after the Clearing House issuing a Declaration of Default, it shall specify on the Website the timetable according to which it expects to be able to take the actions set out in Rules 8.4 and 8.5.

8.2.8 The Default Management Overview Document is incorporated by reference into this Chapter 8 and the Clearing House shall act in accordance with it in relation to Contracts on the occurrence of an Event of Default in respect of a Clearing Member including where it enters into hedging transactions or auctions Affected Contracts pursuant to Rule 8.5.2. The Clearing House may from time to time override the implementation or application of the Default Management Overview Document to the Clearing House or as against some or all of the Clearing Members in respect of one or more Defaulting Clearing Members. The override of the implementation or application

of the Default Management Guidelines may only be brought into effect where the Clearing House deems it necessary to manage material risks of the Clearing House (where material risks are those which could materially adversely impact the on-going financial soundness, integrity or the proper performance of the Clearing House) or is otherwise required to meet the Clearing House's continuing legal or regulatory obligations under Applicable Law. Any determination by the Clearing House to override the implementation or application of the Default Management Overview Document shall be notified to the Clearing Members and the Risk Committee.

8.2.9 For the purposes of Chapter 8 and Rule 2.5, the Standard House Accounts of each relevant Standard Clearing Member shall be amalgamated to create one Standard House Account and the IRS House Accounts of each relevant IRS Clearing Member shall be amalgamated to create one IRS House Account and references to a House Account, IRS House Account or Standard House Account in Chapter 8 and Rule 2.5.1 shall be construed accordingly.

8.3 Segregation between House Account and each Client Account when applying the Default Rules

Segregation when calculating Portable Net Sums, Single Net Sums and other amounts

8.3.1 If the Defaulting Clearing Member is:

(a) a Contract CM, then each transfer under Rule 8.4.6 shall be made separately; or

(b) not a Contract CM, then a separate Portable Net Sum shall be calculated in accordance with Rules 8.4.7 to 8.4.13.

8.3.2 In each case, a separate Portable Net Sum shall be calculated in accordance with Rule 8.4 in respect of Affected Contracts which relate to each of the Defaulting Clearing Member's Individual Client Accounts and each Notional Sub-Account within each of its Omnibus Client Accounts and related rights and liabilities.

8.3.3 A separate Single Net Sum shall be calculated in accordance with Rule 8.5 in respect of:

(a) Affected Contracts which relate to each of the Defaulting Clearing Member's House Accounts and related rights and liabilities; and

(b) if required under Rules 8.4.2 or 8.4.17, Affected Contracts which relate to each of the Defaulting Clearing Member's Individual Client Accounts or Notional Sub-Accounts and related rights and liabilities.

8.3.4 A separate Collect, Pay, Allocated Standard Pay or Allocated IRS Pay shall be calculated in accordance with Rules 8.6.4 and 8.10, as applicable, in respect of the Contracts which relate to each Account and each Notional Sub-Account of a relevant Clearing Member and the related rights and liabilities in each case.

Set off of Collateral relating to different Accounts

8.3.5 To the extent that the Clearing House applies or includes an amount pursuant to Rules 8.4 or 8.5:

(a) Standard Collateral credited to the Standard House Account of the Defaulting Standard Clearing Member may be set off, applied against or included in respect of the rights and obligations relating to the following Accounts of the Defaulting Standard Clearing Member in the following order to the extent that there is sufficient surplus Collateral after completion of each step:

(i) the Standard House Account;

(ii) pro-rata between each Standard Individual Client Account and Standard Omnibus Client Account; and

(iii) pro-rata between each IRS Individual Client Account and IRS Omnibus Client Account;

(b) IRS Collateral credited to the IRS House Account of the Defaulting Clearing Member may be set off, applied against or included in respect of the rights and obligations relating to the following Accounts of the Defaulting IRS Clearing Member in the following order to the extent that there is sufficient surplus Collateral after completion of each step:

(i) the IRS House Account;

(ii) pro-rata between each IRS Individual Client Account and IRS Omnibus Client Account; and

(iii) pro-rata between each Standard Individual Client Account and Standard Omnibus Client Account;

(c) Collateral credited to each Individual Client Account of the Defaulting Clearing Member may only be set off, applied against or included in respect of the rights and obligations relating to the Contracts credited to that Individual Client Account of that Defaulting Clearing Member;

(d) Collateral, excluding Excess Collateral, credited to each Notional Sub-Account of the Defaulting Clearing Member may only be set off, applied against or included in respect of the rights and obligations relating to the Contracts credited to that Notional Sub-Account of that Defaulting Clearing Member or as contemplated in Rule 8.4.10(b), 8.4.11(b), 8.5.5(b) and 8.5.6(b); and

(e) Excess Collateral credited to an Omnibus Client Account may only be set off, applied against or included in respect of the rights and obligations relating to Contracts credited to that Omnibus Client Account and may be applied against or included in accordance with Rules 8.4.4(b), 8.4.5(b), 8.4.10(b), 8.4.11(b), 8.5.5(b) and 8.5.6(b).

8.3.6 For the purposes of Rules 8.4.4, 8.4.5, 8.4.10, 8.4.11, 8.5.5 and 8.5.6, the Collateral credited to each:

(a) Standard Individual Client Account:

(i) with respect to Collateral standing to the credit of an FS Account, is the value of that Collateral; and

(ii) otherwise, is a proportion (determined by the Clearing House in accordance with the Rules and the Procedures) of the value of the Collateral provided by the Clearing Member in respect of such Standard Individual Client Account;

(b) Standard Notional Sub-Account in a Standard Omnibus Client Account is a proportion (determined by the Clearing House in accordance with the Rules and the Procedures) of the value of the Collateral provided by the Clearing Member in respect of all its Standard Omnibus Accounts;

(c) IRS Individual Client Account:

(i) with respect to Collateral standing to the credit of an FS Account, is the value of that Collateral; and

(ii) otherwise, is a proportion (determined by the Clearing House in accordance with the Rules and the Procedures) of the value of the Collateral provided by the Clearing Member in respect of such IRS Individual Client Account.

(d) IRS Notional Sub-Account in an IRS Omnibus Client Account is a proportion (determined by the Clearing House in accordance with the Rules and the

Procedures) of the value of the Collateral provided by the Clearing Member in respect of all its IRS Omnibus Client Accounts.

Set off of other amounts

8.3.7 Notwithstanding any law, regulation (including, without limitation, the Insolvency Rules 1986) or otherwise, when calculating each Portable Net Sum, Single Net Sum or CCP Default Single Net Sum and any other amount under these Rules:

(a) a liability of the Clearing House to a Clearing Member may only be set off, or applied, against or netted with a liability of such Clearing Member to the Clearing House in accordance with these Rules, the relevant Clearing Membership Agreement and as otherwise agreed by the Clearing House and the Clearing Member; and

(b) a liability of a Clearing Member to the Clearing House under or in connection with an Individual Client Account or an Omnibus Client Account (and any related Contract and Collateral) may only be set off, or applied, against or netted with a liability of the Clearing House to a Clearing Member under or in connection with the same Account or, with the exception of the calculation of a CCP Default Single Net Sum, the House Account, save that costs and expenses arising from actions taken under Rule 8.5.2 may be included in the rights and liabilities calculated with respect to each Client Account pursuant to Rule 8.5.2.

8.3.8 For the purposes of Rules 8.5.5 or 8.5.6, the Clearing House may, in its reasonable discretion, determine the proportion of:

(a) the Standard Guarantee Fund in relation to Standard Contracts;

(b) the IRS Guarantee Fund in relation to IRS Contracts; and

(c) the Single Net Sum relating to each House Account of the Defaulting Clearing Member,

to be applied in relation to each of the Defaulting Clearing Member's Client Accounts and, except in relation to Rule 8.3.8(c), each House Account, as applicable.

8.3.9 To the extent any fees, costs and expenses are due from the Defaulting Clearing Member, they shall be aggregated separately with respect to fees, costs and expenses arising in connection with Standard Contracts and fees, costs and expenses arising in connection with IRS Contracts and:

(a) the resulting sum(s) shall be set off against the Collateral credited to the relevant House Account of the Defaulting Clearing Member and its Contribution to the relevant Guarantee Fund; and

(b) to the extent any amount remains outstanding following completion of Rule 8.3.9(a), the relevant assets set out in Rule 8.6 shall be applied in the order set out in such Rule to satisfy the outstanding amount.

8.3.10 If the Clearing House issues a Declaration of Default in respect of a Clearing Member, the Clearing House shall:

(a) use Excess Collateral received by the Clearing House in respect of an Individual Client Account in the same way as it uses any other Collateral relating to the Individual Client Account;

(b) use Excess Collateral received by the Clearing House in respect of an Omnibus Client Account in relation to that Omnibus Client Account and may use it in accordance with Rules 8.4.4(b), 8.4.5(b), 8.4.10(b), 8.4.11(b), 8.5.5(b) and 8.5.6(b).

8.3.11 For the purposes of Rules 8.4.4, 8.4.5, 8.4.7, 8.4.10, 8.4.11, 8.4.23, 8.5.5 and 8.5.6 the Clearing House may, or may instruct a third party to:

(a) liquidate Collateral and Contributions in the form of Eligible Securities; and

(b) convert amounts denominated in one currency into another currency,

in each case at such time and at such rate as the Clearing House shall in its reasonable discretion determine.

8.4 Porting of Individual Client and Omnibus Client Accounts

A summary of how this Rule works and the main legal implications is set out in the Clearing House's Disclosure Document on the Website

Conditions to porting

8.4.1 This Rule 8.4 applies in respect of each Individual Client Account and each Notional Sub-Account within each Omnibus Client Account of a Defaulting Clearing Member and the related Affected Contracts and Collateral if, subject to Rule 8.4.2, in relation to such Account or Notional Sub-Account:

(a) the Clearing House is satisfied:

(i) that a Client Agreement, a Client Protection Agreement (in relation to a Security CM only) and a Client Acknowledgement is in full force and effect with respect to each relevant Client at the date of the proposed actions under this Rule 8.4; and

(ii) it is under no obligation which would require the payment or delivery under the Client Protection Agreement and/or the Security Trust Deed and/or Rule 8.4.6 to be returned to a third party; and

(iii) if there is an FS Individual Client Account with respect to the relevant Client, that the relevant FS Custody Agreement is in full force and effect;

(b) the Clearing House has the information, which may be that provided in accordance with Rule 3A.5, it requires to make the calculations set out in this Rule 8.4 and is satisfied as to its accuracy;

(c) an Adopting Clearing Member which is not a Defaulting Clearing Member agrees to accept all relevant Contracts and related Collateral and doing so will not cause the credit limits or Position Limits applicable to either the Adopting Clearing Member or the Client pursuant to Rule 5.1.7 or Rule 5.1.8 to be exceeded;

(d) the relevant Client has requested that the Clearing House takes the steps in Rules 8.4.12 or 8.4.13 (if the Defaulting Clearing Member is a Security CM) or Rule 8.4.6 (if the Defaulting Clearing Member is a Contract CM);

(e) the Clearing House is satisfied that sufficient additional Eligible Assets have been or (on or before the recording of the Portable Net Sum under Rule 8.4.12(a) or (as the context may require) the transfer under Rule 8.4.6) will be provided to it as Collateral by the relevant Adopting Clearing Member in accordance with the Rules; and

(f) if a Portable Net Sum is to be ported from one FS Individual Client Account to another FS Individual Client Account, the Clearing House is satisfied that:

(i) the Adopting Clearing Member is able to open an FS Account in respect of the Client with any of the FS Custodians; and

(ii) the Adopting Clearing Member will, and will arrange for the Client to, enter into all applicable FS Documents within a reasonable period to be determined by the Clearing House,

in which case, the Clearing House shall use all reasonable endeavours to perform the actions set out in this Rule 8.4. If the Clearing House has not been able to perform the

actions set out in this Rule 8.4 within the applicable Porting Period then it may carry out the actions set out in Rule 8.5 in relation to that Client Account.

Product	**Account type**	**Porting Period (measured from the issue of a Declaration of Default)**
IRS Contracts	Gross Omnibus Client Account (paragraph 2.13 Risk Management Procedure)	36 hours
	Individual Client Account	48 hours
Standard Contracts	Net Omnibus Client Account (paragraph 2.12 Risk Management Procedure)	8 hours
	Gross Omnibus Client Account Client Account (paragraph 2.13 Risk Management Procedure)	12 hours
	Individual Client Account	24 hours

8.4.2 The Clearing House may, in its absolute discretion, extend the period during which it will not carry out the actions set out in Rule 8.5 in relation to a Client Account beyond the Porting Period. In any event, whether or not the Clearing House extends the period during which it will not carry out the actions set out in Rule 8.5 in relation to a Client Account, the Clearing House may carry out the actions set out in Rule 8.5 before the end of the applicable Porting Period in the following circumstances:

(a) at any time, in relation to an Individual Client Account or a Notional Sub-Account in the event the Client to which that Individual Client Account or Notional Sub-Account relates requests the Clearing House to do so; or

(b) after four (4) hours have elapsed from the issue of the Declaration of Default, in the event the Clearing House reasonably believes that taking any of the actions in this Rule 8.4 in relation to any Client Account would introduce an unacceptable level of risk or volatility to the Clearing System or to the Clearing House.

Without prejudice to the foregoing provision, the Clearing House will not, as permitted by Rule 8.3.11, liquidate Collateral recorded in respect of a Client Account or Notional Sub-Account during the Porting Period in accordance with this Rule 8.4.2 save that it may, in its absolute discretion, do so in any of the following circumstances:

(i) the Client agrees to or requests the liquidation of the Collateral recorded in respect of the Client Account or Notional Sub-Account; or

(ii) the Clearing House reasonably believes that liquidating such Collateral will facilitate the likelihood of taking the actions set out in Rule 8.4.6, 8.4.12 or 8.4.13 in respect of the Client Account or the Notional Sub-Account; or

(iii) the Clearing Member has notified the Clearing House that an Insolvency Event has occurred in relation to the Client or that the Client is otherwise in default of its obligations under the Client Agreement or that the Clearing Member reasonably believes that an Insolvency Event is likely to occur in relation to the Client and is reasonably imminent; or

(iv) the Clearing House reasonably believes (such belief to be based on the results of a Liquidation Test) that the value of the Collateral and/ or the Contracts recorded in respect of the Client Account or Notional Sub-Account is diminishing and potentially threatening collateral haircuts or undermining the Clearing House's ability to make Variation Requirement payments in respect of the Contracts recorded in such Client Account or Notional Sub-Account.

Clearing Members should be aware that it may be significantly more difficult for the Clearing House to take the actions set out in this Rule 8.4.2 in relation to Exchange Contracts recorded in relation to a Standard Omnibus Client Account and Standard Contracts, including those recorded in relation to a Standard Omnibus Client Account of the type referred to in paragraph 2.13 of the Risk Management Procedure.

If any of the conditions set out in Rule 8.4.1(f) are or will not be satisfied due to failure of the Adopting Clearing Member and/or the relevant Client to enter into the FS Documents and/or open an FS Account with an FS Custodian, the Adopting Clearing Member shall indemnify the Clearing House against any loss, cost or expense suffered by the Clearing House in determining the Portable Net Sum on such basis.

Discharge of Defaulting Clearing Member's rights and liabilities

8.4.3 Following the issuance by the Clearing House of a Declaration of Default, subject to Rule 8.3:

(a) Rules 8.4.4 to 8.4.6 shall apply if the Defaulting Clearing Member is a Contract CM; and

(b) Rules 8.4.7 to 8.4.13 shall apply if the Defaulting Clearing Member is a Security CM.

Contract CM pre-porting and porting

8.4.4 Before a transfer under Rule 8.4.6, the Clearing House may take the following steps with respect to each Standard Individual Client Account and Standard Notional Sub-Account of the Defaulting Standard Clearing Member:

(a) the Standard Collateral relating to the relevant Standard Individual Client Account or Standard Notional Sub-Account may be set off, or applied, against any liabilities of the Defaulting Standard Clearing Member in connection with such Standard Individual Client Account or Standard Notional Sub-Account; and

(b) in relation to a Standard Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.4.4(a) relating to that Standard Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which that Standard Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.4.4(a) relating to any other Standard Notional Sub-Account in the same Standard Omnibus Client Account.

8.4.5 Before a transfer under Rule 8.4.6, the Clearing House may take the following steps with respect to each IRS Individual Client Account and IRS Notional Sub-Account of the Defaulting IRS Clearing Member:

(a) the IRS Collateral relating to the relevant IRS Individual Client Account or IRS Notional Sub-Account may be set off, or applied, against any liabilities of the Defaulting IRS Clearing Member in connection with such IRS Individual Client Account or IRS Notional Sub-Account; and

(b) in relation to an IRS Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.4.5(a) relating to that IRS Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which that IRS Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.4.5(a) relating to any other IRS Notional Sub-Account in the same IRS Omnibus Client Account.

8.4.6 The Clearing House shall in relation to each Individual Client Account and each Notional Sub-Account in respect of which all of the conditions set out in Rule 8.4.1 are satisfied, transfer the rights and obligations relating to the relevant Contracts and Collateral (except for those arising under Rule 2.3.1 and otherwise as a result of any relevant Event of Default or the circumstances that caused it) from the Defaulting Clearing Member to the relevant Adopting Clearing Member by:

(a) removing all Contracts and Collateral from the Defaulting Clearing Member's relevant Individual Client Account or Notional Sub-Account; and

(b) entering such Contracts and Collateral in the Adopting Clearing Member's relevant Individual Client Account or Notional Sub-Account.

Security CM pre-porting and porting

8.4.7 The Clearing House shall, in relation to each Individual Client Account and each Notional Sub-Account, seek to discharge all of the Defaulting Clearing Member's rights and liabilities under the relevant Affected Contracts by closing out, settling, terminating and/or offsetting all such Affected Contracts and aggregating any obligations for the payment of money, whether present or future, actual or contingent, in respect of such Affected Contracts and the Rules and offsetting the aggregated amounts against each other so as to produce a **Portable Contract Net Sum** in relation to each such Individual Client Account or Notional Sub-Account. Such Portable Contract Net Sum shall be determined as of the date on which the Clearing House intends to re-establish the Affected Contracts in the Adopting Clearing Member's relevant Client Account and on such terms as the Clearing House shall determine.

8.4.8 The rights and liabilities of the Defaulting Clearing Member shall include all those arising in consequence of any action taken by the Clearing House under Rule 8.4.7.

8.4.9 If the Portable Contract Net Sum in relation to an Individual Client Account or a Notional Sub-Account is due from the Defaulting Clearing Member, then it is the **IRS Portable Interim Liability** or the **Standard Portable Interim Liability**, as the case may be (expressed as a negative sum). If the Portable Contract Net Sum is due to the Defaulting Clearing Member, then it is the **IRS Portable Interim Asset** or the **Standard Portable Interim Asset**, as the case may be (expressed as a positive sum).

Standard Portable Net Sum calculation - Standard Contracts

8.4.10 The following steps shall be taken with respect to each Standard Individual Client Account and each Standard Notional Sub-Account of the Defaulting Standard Clearing Member:

(a) the Standard Collateral relating to the relevant Standard Individual Client Account or Standard Notional Sub-Account shall be set off against the relevant Standard Portable Interim Liability or aggregated with the relevant Standard Portable Interim Asset; and

(b) in relation to a Standard Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.4.10(a) relating to that Standard Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which that Standard Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.4.10(a) relating to any other Standard Notional Sub-Account in the same Standard Omnibus Client Account,

the result being a **Portable Net Sum**.

IRS Portable Net Sum calculation - IRS Contracts

8.4.11 The following steps shall be taken with respect to each IRS Individual Client Account and each IRS Notional Sub-Account of the Defaulting IRS Clearing Member:

(a) the IRS Collateral relating to the relevant IRS Individual Client Account or IRS Notional Sub-Account shall be set off against the relevant IRS Portable Interim Liability or aggregated with the relevant IRS Portable Interim Asset; and

(b) in relation to an IRS Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.4.11(a) relating to that IRS Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which that IRS Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.4.11(a) relating to any other IRS Notional Sub-Account in the same IRS Omnibus Client Account,

the result being a **Portable Net Sum**.

8.4.12 If the Portable Net Sum in relation to an Individual Client Account or Notional Sub-Account is due to the Defaulting Clearing Member, then the Clearing House shall in relation to such Individual Client Account or Notional Sub-Account:

(a) debit an amount equal to the Portable Net Sum from the Defaulting Clearing Member's relevant Client Account and credit an equivalent amount in the Adopting Clearing Member's relevant Client Account relating to that Client; and

(b) on the same day, replace such Portable Net Sum with Contracts and Collateral in the Adopting Clearing Member's relevant Client Account which differ from the Affected Contracts and Collateral which had been credited to the Defaulting Clearing Member only to the extent that the Adopting Clearing Member shall be the counterparty of the Clearing House in place of the Defaulting Clearing Member and to reflect an adjustment which has been made in accordance with Rules 8.4.10 and 8.4.11 to the Collateral that had been credited to the Defaulting Clearing Member's Client Account.

8.4.13 If the Portable Net Sum in relation to an Individual Client Account or a Notional Sub-Account is zero or is due from the Defaulting Clearing Member, then the Clearing House shall in relation to such Individual Client Account or Notional Sub-Account:

(a) credit an amount equal to the Portable Net Sum to the Defaulting Clearing Member's relevant Client Account and debit an equivalent amount from the Adopting Clearing Member's relevant Client Account relating to that client; and

(b) on the same day, replace such Portable Net Sum with Contracts and Collateral in the Adopting Clearing Member's relevant Client Account which differ from the Affected Contracts and Collateral which had been credited to the Defaulting Clearing Member only to the extent that the Adopting Clearing Member shall be the counterparty of the Clearing House in place of the Defaulting Clearing Member and to reflect an adjustment which has been made in accordance with Rules 8.4.10 and 8.4.11 to the Collateral that had been credited to the Defaulting Clearing Member's Client Account.

Portable Net Sum calculations - General

8.4.14 The Clearing House will exercise its discretion in Rules 8.4.10 and 8.4.11 in such a way as to seek to achieve a fair and equitable allocation of any Excess Collateral and any positive or negative sums, as applicable, relating to an Omnibus Client Account.

8.4.15 In this Rule 8.4, a reference to closing out, settling, terminating, offsetting, aggregating or any other action includes the Clearing House calculating the rights and obligations of

the Clearing House in relation to any relevant Clearing Member or Client as if the Clearing House had taken such action.

8.4.16 To the extent there is any Collateral standing to the credit of a Swiss FS Account after the application of any amounts against a Standard Portable Interim Liability or an IRS Portable Interim Liability under Rules 8.4.10(a) or 8.4.11(a) it shall be applied in accordance with the terms of the relevant Swiss Collateral Management Agreement.

Conditions to porting no longer satisfied

8.4.17 If, after the calculation of the Portable Net Sum, any of the conditions set out in Rule 8.4.1 are no longer satisfied in relation to any Individual Client Account or Notional Sub-Account, the Clearing House shall not undertake the steps in Rules 8.4.12, 8.4.13, 8.4.18 to 8.4.23 and shall instead follow the provisions set out in Rule 8.5 with respect to that Individual Client Account or Notional Sub-Account. In such case, any action taken pursuant to this Rule 8.4 shall be deemed not to have been taken.

Certification and porting of each Portable Contract Net Sum and Portable Net Sum

8.4.18 The Clearing House shall, if required, in relation to each Individual Client Account and each Notional Sub-Account in respect of which the Clearing House calculates a Portable Net Sum and all of the conditions set out in Rule 8.4.1 are satisfied, certify the Portable Contract Net Sum and the Portable Net Sum to:

(a) the relevant office holder acting in relation to the Defaulting Clearing Member; and

(b) the Clearing House's Regulatory Authority.

8.4.19 The Defaulting Clearing Member consents to the steps in this Rule 8.4. The Adopting Clearing Member will have the rights and be bound by the obligations of the Contracts and Collateral described in Rules 8.4.6, 8.4.12 and 8.4.13, as the case may be. If there is a Margin Requirement on the Client Account after a transfer under Rules 8.4.6, 8.4.12 or 8.4.13, the Adopting Clearing Member will be required to provide sufficient additional Eligible Assets as Collateral to the Clearing House in accordance with the Rules.

8.4.20 The Clearing House shall use reasonable endeavours to perform its obligations and exercise its powers under this Rule 8.4:

(a) in respect of some but not all of the Contracts and Collateral related to any Individual Client Account or Notional Sub-Account: or

(b) in relation to more than one Adopting Clearing Member,

in each case at the request of the Client to which such Individual Client Account or Notional Sub-Account relates. In any such case, the Client, the Clearing House and each relevant Adopting Clearing Member shall agree on the Contracts and Collateral to be transferred. If Rule 8.4.20(a) or 8.4.20(b) applies, Rules 8.4.12 and 8.4.13 shall be construed accordingly.

Security Trustee

8.4.21 The Security Trustee may take such actions and exercise such powers as are set out in the Security Trust Deed in relation to any Individual Client Account or Notional Sub-Account relating to each Client on whose behalf the Security Trustee has entered into a Client Protection Agreement.

Clearing House may rely on information

8.4.22 In taking the actions in this Rule 8.4 or Rule 8.5, the Clearing House may rely on the information provided by the Clearing Member to the Clearing House or by the Clearing House to the Clearing Member pursuant to Rule 3A.5.

8.4.23 In the event that the Clearing House is able to transfer the rights and obligations relating to the Contracts and Collateral or the Portable Net Sum relating to each Notional Sub-Account in a single Omnibus Client Account to a single Adopting Clearing Member pursuant to Rule 8.4.6 or Rules 8.4.12 or 8.4.13 respectively, it shall include in the amounts to be transferred any Excess Collateral that is not otherwise accounted for.

8.5 Calculation and certification of Single Net Sum - House, Omnibus Client and Individual Client Accounts

A summary of how this Rule works and the main legal implications is set out in the Clearing House's Disclosure Document on the Website.

Discharge of Defaulting Clearing Member's rights and liabilities

8.5.1 Following the issuance by the Clearing House of a Declaration of Default, the Clearing House shall, subject to Rule 8.3, in relation to each of the Defaulting Clearing Member's House Accounts and (to the extent required by Rule 8.4) each Notional Sub-Account within an Omnibus Client Account and Individual Client Account of the Defaulting Clearing Member, take the steps set out in this Rule 8.5. The Clearing House shall, in respect of each such Account or Notional Sub-Account, seek to discharge all of the Defaulting Clearing Member's rights and liabilities under all of the Affected Contracts by taking any of the actions set out in Rule 8.5.2, and thereafter by aggregating any obligations for the payment of money, whether present or future,

actual or contingent, by the Defaulting Clearing Member under such Affected Contracts and the Rules, aggregating any such obligations to the Defaulting Clearing Member under each Affected Contract and the Rules, and offsetting the two aggregated amounts against one another so as to produce a **Single Contract Net Sum** in respect of each such Account or Notional Sub-Account.

8.5.2 For the purposes of discharging a Defaulting Clearing Member's rights and liabilities and calculating a Single Contract Net Sum and a Single Net Sum, the Clearing House may take any of the following actions or any combination of the following actions with respect to each of the relevant Accounts or Notional Sub-Accounts of the Defaulting Clearing Member:

(a) closing out, settling, terminating and/or offsetting any Affected Contract including the application of Eligible Cash or the proceeds of the realisation of any Eligible Assets constituting Collateral credited to the Defaulting Clearing Member's Account or Notional Sub-Account in respect of such Affected Contract;

(b) effecting Corresponding Contracts to any Affected Contracts;

(c) exercising any option granted by an Affected Contract;

(d) entering into hedging transactions in relation to any Affected Contracts; and/or

(e) auctioning any of the Defaulting Clearing Member's open positions under any Affected Contracts,

in each case and in respect of each Single Contract Net Sum, on such terms as the Clearing House shall determine and the rights and liabilities of the Defaulting Clearing Member referred to in Rule 8.5.1 shall include all rights and liabilities arising and any costs and expenses incurred in consequence of any such action.

8.5.3 If the Single Contract Net Sum with respect to all Affected Contracts which are Standard Contracts is due from the Defaulting Clearing Member, then it is the **Standard Interim Liability**. If the Single Contract Net Sum with respect to all Affected Contracts which are Standard Contracts is due to the Defaulting Clearing Member, then it is the **Standard Interim Asset**.

8.5.4 If the Single Contract Net Sum with respect to all Affected Contracts which are IRS Contracts is due from the Defaulting Clearing Member, then it is the **IRS Interim Liability**. If the Single Contract Net Sum with respect to all Affected Contracts which are IRS Contracts is due to the Defaulting Clearing Member, then it is the **IRS Interim Asset**.

Standard Single Net Sum calculation

8.5.5 The following steps shall be taken with respect to each Standard House Account and (to the extent required by Rule 8.4) Standard Notional Sub-Account and Standard Individual Client Account of the Defaulting Standard Clearing Member:

(a) the Defaulting Standard Clearing Member's Standard Collateral relating to the relevant Standard House Account, Standard Individual Client Account or Standard Notional Sub-Account (as applicable) shall be set off, or applied, against the Standard Interim Liability or aggregated with the Standard Interim Asset relating to such Account;

(b) in relation to a Standard Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.5.5(a) relating to that Standard Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the Omnibus Client Account of which the Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.5.5(a) relating to any other Standard Notional Sub-Account in the same Standard Omnibus Client Account;

(c) a proportion of the Defaulting Standard Clearing Member's Contribution to the Standard Guarantee Fund shall, and any Standard Single Net Sum relating to the Standard House Account of the Defaulting Standard Clearing Member may, be set off against any negative sum produced under Rule 8.5.5(a) and 8.5.5(b), as applicable, or in relation to the Standard House Account, such Standard Guarantee Fund shall be aggregated with any positive sum produced under Rule 8.5.5(a); and

(d) a proportion of any positive IRS Single Net Sum relating to the Defaulting Clearing Member's IRS House Account which remains after such IRS Single Net Sum has been applied pursuant to Rule 8.5.6 may be set off against any negative sum produced under Rules 8.5.5(a), 8.5.5(b) and 8.5.5(c) as applicable,

the result being the **Standard Single Net Sum**.

IRS Single Net Sum calculation

8.5.6 The following steps shall be taken with respect to each IRS House Account and (to the extent required by Rule 8.4) IRS Notional Sub-Account and IRS Individual Client Account of the Defaulting IRS Clearing Member:

(a) the Defaulting IRS Clearing Member's IRS Collateral relating to the relevant IRS House Account, IRS Individual Client Account or IRS Notional Sub-Account (as applicable) shall be set off, or applied, against the IRS Interim Liability or aggregated with the IRS Interim Asset relating to such Account;

(b) in relation to an IRS Notional Sub-Account, in the absolute discretion of the Clearing House, any negative sum produced under Rule 8.5.6(a) relating to that IRS Notional Sub-Account may be set off against:

(i) any Excess Collateral relating to the IRS Omnibus Client Account of which that IRS Notional Sub-Account forms part; and

(ii) any positive sum produced under Rule 8.5.6(a) relating to any other IRS Notional Sub-Account in the same IRS Omnibus Client Account;

(c) a proportion of the Defaulting IRS Clearing Member's Contribution to the IRS Guarantee Fund shall and any IRS Single Net Sum relating to the IRS House Account of the Defaulting IRS Clearing Member may be set off against any negative sum produced under Rule 8.5.6(a) and 8.5.6(b), as applicable, or in relation to the IRS House Account, such IRS Guarantee Fund shall be aggregated with any positive sum produced under Rule 8.5.6(a); and

(d) a proportion of any positive Standard Single Net Sum relating to the Defaulting Clearing Member's Standard House Account which remains after such Standard Single Net Sum has been applied pursuant to Rule 8.5.5 may be set off against any negative sum produced under Rules 8.5.6(a), 8.5.6(b) and 8.5.6(c), as applicable,

the result being the **IRS Single Net Sum**.

Single Net Sum calculations - General

8.5.7 The Clearing House may in its discretion decide to:

(a) delay the calculation of the Single Net Sums in relation to Individual Client Accounts and Notional Sub-Accounts until it has calculated the Standard Single Net Sum relating to the Standard House Account or the IRS Single Net Sum relating to the IRS House Account, as the case may be, so that the Standard Single Net Sum or the IRS Single Net Sum in relation to the relevant House Account may be applied in accordance with Rules 8.5.5(d) or 8.5.6(d); or

(b) apply the Clearing House's resources in accordance with Rule 8.6 without having first set off amounts pursuant to Rules 8.5.5(d) and/or 8.5.6(d).

8.5.8 The Clearing House will exercise its discretion in Rules 8.5.5 and 8.5.6 in such a way as to seek to achieve a fair and equitable allocation of any IRS Interim Assets or Standard Interim Assets and IRS Interim Liabilities or Standard Interim Liabilities, as applicable, relating to each Omnibus Client Account.

8.5.9 To the extent there is any Collateral standing to the credit of a Swiss FS Account after the application of any amounts against a Standard Interim Liability or an IRS Interim Liability under Rules 8.5.5(a) or 8.5.6(a), it shall be applied in accordance with the terms of the relevant Swiss Collateral Management Agreement.

Certification of each Single Net Sum

8.5.10 The Clearing House shall certify:

(a) in relation to each House Account and (to the extent required by Rule 8.4) each Individual Client Account or Notional Sub-Account:

(i) the Single Contract Net Sum; and

(ii) the Single Net Sum as the amount payable by or to the Defaulting Clearing Member or, if no amount is payable, zero; and

(b) to the extent required by Rule 8.4, in relation to each Individual Client Account or Notional Sub-Account the fact that the Portable Net Sum has not been transferred to an Adopting Clearing Member pursuant to Rules 8.4.12 or 8.4.13;

and each such certificate shall be conclusive. The Clearing House shall make the certification to:

(A) the relevant office holder acting in relation to the Defaulting Clearing Member; and

(B) the Clearing House's Regulatory Authority.

Payment of each Single Net Sum

8.5.11 In respect of an Individual Client Account or Notional Sub-Account, the Clearing House shall, if a positive sum, pay the Single Net Sum:

(a) to the relevant Client (or to its order) or, if a Security Trustee has been appointed with respect to that Client, to the Security Trustee (or to its order) on trust for that Client, in each case if the Clearing House is satisfied that:

(i) a Client Agreement, a Client Protection Agreement (if the Defaulting Clearing Member is a Security CM) and a Client Acknowledgement (either

as part of the Client Protection Agreement or as a standalone agreement) is in full force and effect with respect to the relevant Client;

(ii) the Single Net Sum has been calculated with respect to Contracts and Collateral relating to one Client of the Defaulting Clearing Member; and

(iii) no other Applicable Law or regulation would require the payment returned to another party and, if there is an FS Individual Client Account with respect to the relevant Client, that the relevant FS Custody Agreement is in full force and effect; or

(b) to the Defaulting Clearing Member or a relevant office holder acting in relation to the Defaulting Clearing Member, for the account of the relevant Client if the Clearing House is not satisfied that a Client Agreement, a Client Protection Agreement (if the Defaulting Clearing member is a Security CM) and a Client Acknowledgement is in full force and effect with respect to the relevant Client or an Applicable Law or regulation would require the payment returned to the Defaulting Clearing Member.

For the avoidance of doubt, the references to “Applicable Law” in this Rule 8.5.11 shall not be construed as restricting or negating the applicability of EMIR or FSMA or any obligation of the Clearing House, a Clearing Member or a Client under EMIR or FSMA or the Rules.

8.5.12 In respect of a House Account the Clearing House shall, if a positive sum, pay the Single Net Sum to the Defaulting Clearing Member or the relevant office holder acting in relation to the Defaulting Clearing Member.

8.5.13 In respect of any Account or Notional Sub-Account, each Clearing Member shall, if a negative sum, pay the Single Net Sum to the Clearing House.

Notifications to the Defaulting Clearing Member

8.5.14 The Clearing House shall notify the Defaulting Clearing Member or a relevant office holder acting in relation to the Defaulting Clearing Member or its estate of the actions taken in relation to the Defaulting Clearing Member under the Default Rules.

Liquidation of Collateral and Contributions

8.5.15 For the purposes of Rules 8.5.5 and 8.5.6, the Clearing House may liquidate Collateral and Contributions in the form of Eligible Securities at such time and at such rate as the Clearing House shall in its reasonable discretion determine.

FS Individual Client Accounts

8.5.16 Without prejudice to Rule 8.5.11, where the Single Net Sum has been determined with respect to an FS Individual Client Account and is a positive sum the Clearing House may, in its absolute discretion, deliver Equivalent Assets (from its own assets or the relevant FS Account) to satisfy in whole or in part its obligation to pay the Single Net Sum.

8.5.17 Should the Clearing House deliver Equivalent Assets in accordance with Rule 8.5.16, the Clearing House shall be discharged *pro tanto* from its obligation to deliver the corresponding value of the Single Net Sum and such Equivalent Assets shall be given the value ascribed to them by the Clearing House in its determination of the Single Net Sum.

8.6 Application of Clearing House resources, VM Haircut Settlement Cycles and Optional Payments

Clearing House resources

8.6.1 To the extent that the assets referred to in Rules 8.5.5 or 8.5.6 are insufficient or if the Clearing House is required to pay an amount under Rule 8.3.9, the Clearing House shall use the following assets to satisfy any outstanding amount in the order set out below:

(a) to satisfy any outstanding amount in relation to a Standard Single Net Sum:

(i) the Clearing House's contribution to the Standard Guarantee Fund;

(ii) the Contributions of the non-defaulting Standard Clearing Members to the Standard Guarantee Fund; and

(iii) Standard Assessments received by the Clearing House pursuant to Rule 8.7.1; and

(b) to satisfy any outstanding amount in relation to an IRS Single Net Sum:

(i) the Clearing House's contribution to the IRS Guarantee Fund;

(ii) the Contributions of the non-defaulting IRS Clearing Members to the IRS Guarantee Fund;

(A) first, Contributions of a Subordinated Bidder (if any) up to an amount equal to the Aggregate Subordinated Amount for such Subordinated Bidder and where there is more than one Subordinated Bidder, an amount of the Contribution of each

Subordinated Bidder equal to the relevant Aggregate Subordinated Amount will be applied pro rata;

(B) secondly, the remaining IRS Guarantee Fund of all non-defaulting IRS Clearing Members (excluding the Contributions to the IRS Guarantee Fund of each Winning Bidder equal to the Aggregate Seniorised Amounts for such Winning Bidders) will be applied pro rata; and

(C) thirdly the remaining IRS Guarantee Fund of all Winning Bidders will be applied pro rata; and

(iii) IRS Assessments received by the Clearing House pursuant to Rule 8.7.3.

8.6.2 If the Clearing House has notified the Bank of England that its contribution to either Guarantee Fund falls below the minimum amount it is required to contribute to either or both of the Guarantee Funds, the Clearing House shall replenish such amount within one month of such notification. If the Clearing House issues any Declaration of Default before the Clearing House has replenished such amount then the amounts available to be used in accordance with Rules 8.6.1(a)(i) and/or 8.6.1(b)(i) (as the case may be) will, notwithstanding any minimum amount previously set by the Clearing House, be limited to the residual amount of the Clearing House's contribution.

8.6.3 The obligations of the Clearing House to make payments in respect of Contracts are limited as set out in Rule 2.4, and the Clearing Members shall have no recourse to the Clearing House other than as set out in Rule 2.4.

VM Haircut Settlement Cycle and Optional Payments

8.6.4 If, at any time, the Clearing House determines that less than 25% (twenty five per cent.) of the IRS Assessments or less than 25% (twenty five per cent.) of the Standard Assessments, whether or not already collected, remains available to the Clearing House or is likely to be available once the Clearing House has met its obligations arising from Contracts with non-defaulting Clearing Members in the relevant Membership Category, subject to Rule 8.6.8, the Clearing House may:

(a) with respect to each Account of a non-defaulting Clearing Member in the relevant Membership Category:

(i) run a Settlement Cycle;

(ii) notify each non-defaulting Clearing Member holding such Account of any Variation Requirement determined by the Settlement Cycle which the non-defaulting Clearing Member will pay in accordance with Rule 6.1.1;

(iii) on the basis of the Settlement Cycle, determine the Collect or the Pay;

(b) if applicable, with respect to each IRS Account of a non-defaulting IRS Clearing Member:

(i) deduct from the Aggregate IRS Collects actually received by the Clearing House (and those that the Clearing House reasonably believes will be received in accordance with the Rules) the aggregate of (A) the Aggregate IRS Pays and (B) any fees, costs and expenses incurred by the Clearing House in performing the actions set out in Rule 8.6.4 that relate to IRS Contracts and are not already covered by Rule 8.3.9 (the difference being the **IRS Variation Margin Requirement Haircut**); and

(ii) allocate the IRS Variation Margin Requirement Haircut pro rata to each IRS Account with an IRS Pay;

(c) if applicable, with respect to each Standard Account of a non-defaulting Standard Clearing Member:

(i) deduct from the Aggregate Standard Collects actually received by the Clearing House (and those that the Clearing House reasonably believes will be received in accordance with the Rules) the aggregate of (A) the Aggregate Standard Pays and (B) any fees, costs and expenses incurred by the Clearing House in performing the action set out in Rule 8.6.4 that relate to Standard Contracts and are not already covered by Rule 8.3.9 (the difference being the **Standard Variation Margin Requirement Haircut**) and

(ii) allocate the Standard Variation Margin Requirement Haircut pro rata to each Standard Account with a Standard Pay,

on such terms as the Clearing House shall determine (each such Settlement Cycle, a **VM Haircut Settlement Cycle**). Prior to requesting Optional Payments in accordance with Rule 8.6.5, the Clearing House may, in its sole discretion, run more than one VM Haircut Settlement Cycle in respect of the relevant Membership Category provided the condition in this Rule 8.6.4 is met. To the extent Variation Requirement is retained by the Clearing House following a VM Haircut Settlement Cycle, it may be used by the Clearing House in its sole discretion.

8.6.5 Subject to Rule 8.6.8, if, having run one or more VM Haircut Settlement Cycles, the Clearing House determines, in consultation with the Risk Committee, that to run another VM Haircut Settlement Cycle would result in insufficient additional resources to satisfy the losses incurred by the Clearing House as a result of one or more Defaults, the Clearing House may request that each non-defaulting Clearing Member makes a payment to the Clearing House (an **Optional Payment**). The Clearing House will request that each Optional Payment is at least equal to the amount which would be such Clearing Member's Contribution to the relevant Guarantee Fund at the end of the current Cooling Off Period, assuming the Clearing House does not issue any further Declarations of Default, but the Clearing Member may contribute any higher or lower amount. The following terms shall apply to each Optional Payment:

(a) no Clearing Member shall be obliged to make an Optional Payment;

(b) the Clearing House shall notify each non-defaulting Clearing Member in writing of the requested amount of the Optional Payment;

(c) payment of an Optional Payment shall be made:

(i) in accordance with the provisions set out in Chapter 7; and

(ii) before the deadline for payment specified by the Clearing House in accordance with Rule 8.6.8;

(d) no Optional Payment may be withdrawn once made;

(e) no Optional Payment may be used by the Clearing House until all other resources of the Clearing House specified in Rule 8.6.1(a) or (b), as applicable, have been exhausted in accordance with the Rules; and

(f) each Optional Payment may only be used to satisfy losses to, or to meet any obligations of, the Clearing House incurred with respect to the Membership Category to which the Optional Payment relates.

8.6.6 Subject to Rule 8.6.8, if the Clearing House determines that the Optional Payments it has received (and those it is reasonably likely to receive) with respect to a Membership Category will be insufficient to satisfy the losses it has incurred with respect to such Membership Category, the Clearing House may run a final VM Haircut Settlement Cycle in accordance with Rule 8.6.4 with respect to that Membership Category.

8.6.7 On the last day of the relevant Cooling Off Period or such later day as the Clearing House reasonably determines, the Clearing House shall with respect to each Account of a non-defaulting Clearing Member in the relevant Membership Category:

(a) calculate the net Collect or Pay by aggregating the results of all the relevant VM Haircut Settlement Cycles and ignoring the amount actually paid or received by the Clearing House in this respect;

(b) recalculate the IRS Variation Margin Requirement Haircut and the Standard Variation Margin Requirement Haircut based on:

(i) the net Collect or Pay amounts calculated pursuant to paragraph (a); and

(ii) the actual results or expected changes in the other amounts contemplated in Rules 8.6.4(b) and 8.6.4(c);

(c) reallocate;

(i) that recalculated IRS Variation Margin Requirement Haircut pro rata to each IRS Account with a net IRS Pay; and

(ii) that recalculated Standard Variation Margin Requirement Haircut pro rata to each Standard Account with a net Standard Pay; and

(d) pay to the Clearing Member or require the Clearing Member to pay to the Clearing House the difference (if any) between the amounts calculated and paid under Rule 8.6.4 and under this Rule 8.6.7. Each Clearing Member shall pay to the Clearing House any amount required under this Rule 8.6.7(d) within 2 (two) Business Days.

8.6.8 In order to take each of the actions set out in Rules 8.6.4, 8.6.5 and 8.6.6, the Clearing House shall publish a Notice on the Website stating:

(a) that it may have insufficient resources;

(b) with respect to which Membership Category the action is being taken;

(c) in the case of action to be taken under Rule 8.6.4 or 8.6.6, specifying the date on which a VM Haircut Settlement Cycle will take place (which may be the date on which such Notice is published on the Website); and

(d) in the case of action to be taken under Rule 8.6.5, specifying the deadline by which the Clearing House must receive any Optional Payment.

8.6.9 Any failure by the Clearing House to take any action under Rules 8.6.4 and/or 8.6.6 will not invalidate any action taken by the Clearing House pursuant to any other Rule nor give rise to any liability whatsoever on the part of the Clearing House.

8.6.10 If, having requested an Optional Payment, the Clearing House determines it is again able to meet its obligations arising from Contracts with non-defaulting Clearing Members and all or part of the Optional Payments received by the Clearing House have not been used, such unused Optional Payments shall be returned to the relevant Clearing Members in accordance with Rule 3.10 and if some but not all of the Optional Payments received have not been used, Optional Payments shall be returned to the relevant Clearing Members pro-rata to the amount of each Clearing Member's Optional Payment.

8.6.11 If, having taken the actions set out in Rules 8.6.4 to 8.6.6 in relation to the Contracts of one or more Product Classes, the Clearing House determines that a Limited Recourse Termination Event has occurred with respect to a Product Class, the Clearing House may then take the actions set out in Rules 8.10.8 to 8.10.16 with respect to that Product Class.

8.6.12 This Rule 8.6.12 applies if, having completed the foregoing processes in this Rule 8.6, the amount received by the Clearing House in respect of Assessments and Optional Payments of non-defaulting Clearing Members made in relation to a Declaration of Default and/or received from the Defaulting Clearing Member exceeds the amount required to satisfy the losses of the Clearing House relating to such Declaration of Default. The Clearing House shall pay an amount equal to such excess in the following order to the extent there is sufficient surplus excess after completion of each step and, to the extent there is insufficient surplus excess to complete a particular step, payment shall be made pro-rata to each relevant Clearing Member's relevant payment:

(a) first, to reimburse each non-defaulting Clearing Member for an amount up to such Clearing Member's Optional Payment, if any;

(b) secondly, to reimburse each non-defaulting Clearing Member for an amount up to the amount by which their Allocated Pay was less than their Pay; and

(c) thirdly, to reimburse amounts to the Clearing House and non-defaulting Clearing Members in reverse order to the order in which assets were used in accordance with Rule 8.6.1, so that with respect to Standard Contracts reimbursement will start with Rule 8.6.1(a)(iii) and with respect to IRS Contracts reimbursement will start with Rule 8.6.1(b)(iii).

8.6.13 Notwithstanding that this Rule 8.6 refers and gives rights and liabilities to "non-defaulting Clearing Members", the Clearing House may (in its sole discretion) determine at any time that all or any part of this Rule 8.6 (and the resulting rights and obligations) shall also apply to a Defaulting Clearing Member.

8.7 Assessments following a Declaration of Default

Standard Assessment

8.7.1 During each Standard Cooling Off Period, the Clearing House shall have a right to collect from each non-defaulting Standard Clearing Member an amount (in addition to the Contribution) that does not exceed a total of 550% (five hundred and fifty per cent) of its Contribution to the Standard Guarantee Fund as at the date on which that Standard Declaration of Default is issued. The Clearing House may only collect one Standard Assessment from each non-defaulting Standard Clearing Member during each Standard Cooling Off Period.

8.7.2 The Clearing House may only use the amount referred to in Rule 8.7.1 if there remains an unsatisfied obligation after the Clearing House has used in full the contributions set out in Rules 8.6.1(a)(i) and 8.6.1(a)(ii) and in the following circumstances:

(a) if there are no further Standard Declarations of Default during the relevant Standard Cooling Off Period, the Clearing House may only use a total of 275% (two hundred and seventy five per cent.) of each non-defaulting Standard Clearing Member's Contribution to the Standard Guarantee Fund as at the date on which the first Standard Declaration of Default in the relevant Standard Cooling Off Period was issued; and

(b) if there are one or more further Standard Declarations of Default during the relevant Standard Cooling Off Period, the Clearing House may use a total of 550% (five hundred and fifty per cent.) of each non-defaulting Standard Clearing Member's Contribution to the Standard Guarantee Fund as at the date on which the first Standard Declaration of Default in the Standard Cooling Off Period was issued.

IRS Assessment

8.7.3 During each IRS Cooling Off Period, the Clearing House shall (subject to Rule 6.1.14) have a right to collect from each non-defaulting IRS Clearing Member an amount (in addition to the Contribution) determined by the Clearing House, using its Stress Test Methodology, that does not exceed such IRS Clearing Member's proportionate share of the theoretical third and fourth largest IRS Clearing Members' losses produced by such Stress Test Methodology (such amount and proportionate share as determined by the Clearing House), provided that the theoretical third and fourth largest IRS Clearing Members' losses produced by such Stress Test Methodology is subject to a minimum of 50% (fifty per cent.) of the total IRS Guarantee Fund prior to the start of the IRS

Cooling Off Period. The Clearing House may only collect one IRS Assessment from each non-defaulting IRS Clearing Member during each IRS Cooling Off Period.

8.7.4 The Clearing House may only use the amount referred to in Rule 8.7.3, if there remains an unsatisfied obligation after the Clearing House has used in full the Contributions set out in Rule 8.6.1(b)(i) and 8.6.1(b)(ii).

Assessments - General

8.7.5 Each non-defaulting Clearing Member is required to provide the Assessments to the Clearing House through the arrangements set out in Rule 4.2.2, or if there is insufficient Eligible Cash within a Clearing Member's Bank Account to allow the delivery of Eligible Cash in accordance with Rule 4.2.2, the Clearing Member is required to deliver Eligible Cash within one (1) hour of notification of such amount if notification is received during the hours when a Relevant Payment System is open and otherwise, within one (1) hour of the time at which a Relevant Payment System first opens after such notification. Subject to the limits set out in Rules 8.7.1 and 8.7.3, a Clearing Member may be required to pay the Assessments in more than one instalment during a Cooling Off Period.

8.7.6 With respect to Assessments, the Clearing House shall use its reasonable endeavours to notify non-defaulting Clearing Members and provide estimates of the amounts required in advance of any formal notifications.

8.7.7 After each Cooling Off Period, each non-defaulting Clearing Member's Contribution will be assessed pursuant to the Clearing House's assessment methodology. The Clearing House shall notify each Clearing Member of the new amount of Contribution in accordance with Rule 7.2.

8.8 Termination relating to an Event of Default

8.8.1 During a Cooling Off Period, a non-defaulting Clearing Member may give written notice of its application to terminate its membership or membership of a particular Membership Category of the Clearing House in accordance with Rule 3.8.1.

8.8.2 A non-defaulting Clearing Member shall not have any obligations (and none of its assets, Contribution, Assessments or Optional Payments shall be applied) in respect of any Event of Default occurring after the Membership Termination Date relating to that non-defaulting Clearing Member. For the avoidance of doubt, if a Clearing Member terminates its ability to clear a particular type of Transaction without terminating its ability to clear all types of Transaction within that Membership Category in accordance with Rule 3.8.6, this Rule 8.8.2 shall not apply and the Clearing Member shall remain liable to have its assets, Contribution and Assessments applied in respect of any Event

of Default occurring after the Membership Termination Date relating to any type of Transaction within that Membership Category.

8.9 Notification to other Clearing Members and Clients and cooperation with the Regulatory Authorities

8.9.1 The Clearing House may notify the non-defaulting Clearing Members and their Clients of the actions taken under the Default Rules at various points in the process.

8.9.2 The Clearing House may share information (including information received from or about any Clearing Member), and otherwise cooperate, with any Regulatory Authority, clearing house or exchange and any insolvency practitioner in relation to the issue of a Declaration of Default.

8.10 Termination of all Contracts of a Product Class

8.10.1 This Rule 8.10 is intended to form part of the default rules of the Clearing House (as contemplated in the Companies Act 1989, Part VII) to the extent that it relates to a Defaulting Clearing Member.

Termination of clearing services

8.10.2 The Clearing House may terminate all Contracts of one or both Product Classes in accordance with this Rule 8.10 at any time on or following:

(a) a Planned Termination Event; or

(b) a Limited Recourse Termination Event.

8.10.3 On and after the Termination Date, each Clearing Member shall:

(a) subject to Rule 8.10.3(c), cease to take any action in respect of its Contracts of the Affected Product Class;

(b) subject to Rule 8.10.3(c), not enter into any new Contracts of the Affected Product Class; and

(c) comply with any directions of the Clearing House.

Planned Termination Event

8.10.4 Following a Planned Termination Event, the Clearing House shall use its reasonable endeavours to transfer all or some of the Contracts of the Affected Product Class and related Collateral of non-defaulting Clearing Members which have agreed to such transfer to another clearing house which has agreed to accept such Contracts. The

Clearing House shall conduct any such transfer on such terms as may be agreed between it and the other clearing house and the relevant Clearing Members. The Clearing Members shall promptly take such actions as are reasonably requested by the Clearing House for this purpose.

8.10.5 If the Clearing House determines that a transfer pursuant to Rule 8.10.4 is not practicable in respect of all or some of the Contracts of the Affected Product Class, it shall give written notice to all relevant Clearing Members of the date of termination of all Contracts of the Affected Product Class and shall seek to discharge all of the non-defaulting Clearing Members' rights and liabilities under the Contracts of the Affected Product Class pursuant to Rule 8.10.7. Such written notice shall be given by the Clearing House publishing a Notice on the Website.

8.10.6 The Clearing House may run one or more VM Haircut Settlement Cycles on any day starting on the date of a notice given pursuant to Rule 8.10.5 until the final Settlement Cycle contemplated in Rule 8.10.7. The provisions of Rule 8.6.4 (without the requirements relating to IRS Assessments or Standard Assessments) shall apply to each such VM Haircut Settlement Cycle.

8.10.7 On or as soon as reasonably practicable after the Termination Date with respect to a Planned Termination Event, the Clearing House may take the following steps with respect to each Account relating to an Affected Product Class of each non-defaulting Clearing Member:

(a) run a final Settlement Cycle;

(b) terminate all Contracts of the Affected Product Class at the price determined in the final Settlement Cycle;

(c) notify each non-defaulting Clearing Member of any Variation Requirement determined by the final Settlement Cycle which the non-defaulting Clearing Member will pay in accordance with Rule 6.1.1; and

(d) on the basis of the final Settlement Cycle and the provisions of Rule 8.6.7, determine the Collect or the Pay with respect to each Account of each non-defaulting Clearing Member,

on such terms as the Clearing House shall determine and the rights and liabilities of each Clearing Member shall include all those arising in consequence of any such action taken by the Clearing House.

Limited Recourse Termination Event

8.10.8 On or as soon as reasonably practicable after a Limited Recourse Termination Event, the Clearing House may:

(a) publish a Notice on the Website informing Clearing Members and specifying the Affected Product Class and the date of the termination of all Contracts of the Affected Product Class; and

(b) seek to discharge all of the non-defaulting Clearing Members' rights and liabilities under the Contracts of the Affected Product Class pursuant to Rule 8.10.10.

8.10.9 The Clearing House may run one or more VM Haircut Settlement Cycles on any day starting on the date of a notice given pursuant to Rule 8.10.8 until the final Settlement Cycle contemplated in Rule 8.10.10. The provisions of Rule 8.6.4 (without the requirements relating to IRS Assessments or Standard Assessments) shall apply to each such VM Haircut Settlement Cycle.

8.10.10 On or as soon as reasonably practicable after the Termination Date with respect to a Limited Recourse Termination Event, the Clearing House may take the following steps with respect to each Account relating to an Affected Product Class of each non-defaulting Clearing Member:

(a) run a final Settlement Cycle (which may take place at any time of day);

(b) terminate all Contracts of the Affected Product Class at the price determined in the final Settlement Cycle;

(c) notify each non-defaulting Clearing Member of any Variation Requirement determined by the final Settlement Cycle which the non-defaulting Clearing Member will pay in accordance with Rule 6.1.1;

(d) on the basis of the final Settlement Cycle and the provisions of Rule 8.6.7, determine the Collect or the Pay;

(e) if the Affected Product Class is IRS Contracts:

(i) calculate the IRS Variation Margin Requirement Haircut; and

(ii) calculate the Allocated IRS Pay for each Account with an IRS Pay; and

(f) if the Affected Product Class is Standard Contracts:

(i) calculate the Standard Variation Margin Requirement Haircut ; and

(ii) calculate the Allocated Standard Pay for each Account with a Standard Pay;

on such terms as the Clearing House shall determine and the rights and liabilities of each relevant Clearing Member shall include all those arising in consequence of any such action taken by the Clearing House.

8.10.11 The obligations of the Clearing House to make payments in respect of Contracts of an Affected Product Class are limited as set out in Rule 2.4 and the relevant Clearing Members shall have no further recourse to the Clearing House other than as set out in Rule 2.4.

Payments following the Termination Date

8.10.12 The Clearing House shall notify each non-defaulting Clearing Member which clears Contracts of the Affected Product Class of the Pay, Collect or Allocated Pay with respect to each of its Accounts.

8.10.13 Each non-defaulting Clearing Member with a Collect shall pay such amount to the Clearing House. Once the Clearing House is satisfied it has received all the Collects with respect to an Affected Product Class, it shall make payment to each non-defaulting Clearing Member with an Account related to that Affected Product Class which has a Pay or Allocated Pay.

8.10.14 The Clearing House may adjust payments to account for the default of any IRS Clearing Member in settling a Pay.

8.10.15 This Rule 8.10.15 applies if (having completed the process in Rule 8.10.10) the amount received by the Clearing House in respect of Aggregate Collects with respect to an Affected Product Class exceeds the aggregate amount of Allocated Pays relating to the same Affected Product Class. The Clearing House shall pay an amount equal to such excess in the following order:

(a) first, to reimburse non-defaulting Clearing Members which clear Contracts of the Affected Product Class for an amount up to such Clearing Member's Optional Payment, if any;

(b) secondly, to reimburse non-defaulting Clearing Members of the Affected Product Class for an amount up the amount of any Variation Margin Requirement Haircuts; and

(c) thirdly, to reimburse amounts to the Clearing House and non-defaulting Clearing Members of the Affected Product Class in reverse order to the order in which

assets were used in accordance with, in respect of IRS Contracts Rule 8.6.1(b), starting with Rule 8.6.1(b)(iii) and ending with Rule 8.6.1(b)(i), or, in respect of Standard Contracts, Rule 8.6.1(a), starting with Rule 8.6.1(a)(iii) and ending with Rule 8.6.1(a)(i).

8.10.16 Notwithstanding that this Rule 8.10 refers and applies to "non-defaulting Clearing Members" of the relevant Product Class, the Clearing House may (in its sole discretion) determine that at any time all or any part of this Rule 8.10 (and the resulting rights and obligations) shall also apply to a Defaulting Clearing Member of the relevant Product Class.

8.10.17 This Rule 8.10 shall only apply if none of the events in Rule 2.5.1 have occurred. If at any time following the occurrence of a Planned Termination Event and/or a Limited Recourse Termination Event, including at any time when the Clearing House is implementing any provision of this Rule 8.10, any of the events under Rule 2.5.1 occurs, this Rule 8.10 shall cease to apply and instead Rule 2.5.1 and the process set out therein shall apply.

8.11 Following termination of all Contracts of an Affected Product Class

8.11.1 If, following termination of all Contracts of an Affected Product Class pursuant to Rule 8.10, the Clearing House decides to recommence clearing Contracts of that Affected Product Class, it will publish a Notice on its Website to that effect and Clearing Members will be able to clear Contracts of that Affected Product Class provided that such Clearing Members fulfil the Membership Criteria and otherwise comply with the Rules, including, without limitation, by making the required Contribution(s) to the Guarantee Fund(s) as recalculated at the appropriate time.

8.12 Termination of Clearing Services in respect of Exchange Transactions

8.12.1 This Rule 8.12 is intended to form part of the default rules of the Clearing House (as contemplated in the Companies Act 1989, part VII) to the extent that it relates to a Defaulting Standard Clearing Member.

8.12.2 If, at any time, the Clearing House decides to withdraw all or any part of the Clearing Services in respect of all or a particular type of Exchange Transaction, it will issue a Notice to all affected Clearing Members.

8.12.3 Prior to issuing a Notice in accordance with Rule 8.12.2, the Clearing House shall consult with each relevant Exchange, Regulatory Authority and affected Clearing Member.

8.12.4 The Notice issued in accordance with Rule 8.12.2 shall specify the process to be used to wind up the Clearing Services or any part of them in respect of the relevant Exchange Transactions.

8.13 Termination of all Contracts

8.13.1 This Rule 8.13 is intended to form a part of the default rules of the Clearing House (as contemplated in the Companies Act 1989, Part VII) to the extent that it related to a Defaulting Clearing Member.

8.13.2 The Clearing House may terminate all Contracts in accordance with this Rule 8.13 at any time on or following a CCP Withdrawal of Authorisation Event.

8.13.3 On and after a CCP Withdrawal of Authorisation Event, each Clearing Member shall:

(a) subject to Rule 8.13.3(c), cease to take any action in respect of any Contract;

(b) subject to Rule 8.13.3(c), not enter into any new Contracts; and

(c) comply with any directions of the Clearing House.

8.13.4 Following a CCP Withdrawal of Authorisation Event, the Clearing House shall use its reasonable endeavours to transfer all or some Contracts and related Collateral of non-defaulting Clearing Members which have agreed to such transfer to another clearing house which has agreed to accept such Contracts. The Clearing House shall conduct any such transfer on such terms as may be agreed between it and the other clearing house and the relevant Clearing Members. The Clearing Members shall promptly take such actions as are reasonably requested by the Clearing House for this purpose.

8.13.5 If the Clearing House determines that a transfer pursuant to Rule 8.13.4 is not practicable in respect of some or all Contracts, it shall give written notice to all Clearing Members of the date of termination of all Contracts and shall seek to discharge all of the non-defaulting Clearing Members' rights and liabilities under the Contracts pursuant to Rule 8.13.6. Such written notice shall be given by the Clearing House publishing a Notice on the Website.

8.13.6 As soon as reasonably practicable after the date stated in the Notice published pursuant to Rule 8.13.5, the Clearing House may take the following steps:

(a) run a final Settlement Cycle;

(b) notify each non-defaulting Clearing Member of any Variation Requirement determined by the final Settlement Cycle which the non-defaulting Clearing Member will pay in accordance with Rule 6.1.1; and

(c) on the basis of the final Settlement Cycle, determine the Collect or Pay with respect to each Account of each non-defaulting Clearing Member,

on such terms as the Clearing House shall determine and the rights and liabilities of each Clearing Member shall include those arising in consequence of any such action taken by the Clearing House.

8.13.7 The Clearing House shall notify each non-defaulting Clearing Member of the Pay or Collect with respect to each of its Accounts.

8.13.8 Each non-defaulting Clearing Member with a Collect shall pay such amount to the Clearing House. Once the Clearing House is satisfied it has received all the Collects, it shall make payment to each non-defaulting Clearing Member with a Pay.

8.13.9 The Clearing House may adjust payments to account for the default of any Clearing Member in settling a Collect.

8.13.10 Notwithstanding that this Rule 8.13 refers and applies to non-defaulting Clearing Members, the Clearing House may (in its sole discretion) determine that at any time all or any part of this Rule 8.13 shall also apply to a Defaulting Clearing Member.

8.13.11 This Rule 8.13 shall only apply if none of the events in Rule 2.5.1 have occurred. If at any time following the occurrence of a CCP Authorisation Withdrawal Event, including at any time when the Clearing House is implementing any provision of this Rule 8.13, any of the events under Rule 2.5.1 occurs, this Rule 8.13 shall cease to apply and instead Rule 2.5.1 and the process set out therein shall apply.

CHAPTER 9
COMPLAINTS, ENFORCEMENT AND BREACHES

9.1 Complaints

9.1.1 Any Complaint shall be made in accordance with the Complaints Procedure.

9.1.2 The Clearing House shall consider a Complaint in accordance with this Chapter 9 of the Rules and the Complaints Procedure:

(a) a Clearing House Complaint shall be dealt with in accordance with the Complaints Procedure; and

(b) if a Clearing Member Complaint alleges a breach of the Rules, the Clearing House will commence an Investigation and may commence Disciplinary Proceedings in accordance with the Rules.

9.1.3 The Clearing House shall notify a Clearing Member which makes a Clearing Member Complaint of the steps it has taken to review such Complaint and the outcome.

9.1.4 If the Clearing House, in its discretion, considers it appropriate or if it is otherwise required to do so under Applicable Law, the Clearing House may provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding.

9.2 Investigations

9.2.1 The Clearing House may investigate breaches or alleged breaches of the Rules, whether or not such breaches or alleged breaches have arisen as a result of a Clearing Member Complaint, at its own instigation, a disputed notification of breach received in accordance with Rule 9.7.3, or otherwise in accordance with the provisions of Rule 9.3 (the **Investigation**).

9.2.2 A Clearing Member shall cooperate fully with any Investigation irrespective of whether such Clearing Member is the subject of or otherwise involved in the Investigation. Without limitation, each Clearing Member shall:

(a) provide to the Clearing House such information in whatsoever form as the Clearing House may reasonably request, within the timescale specified;

(b) permit Representatives of the Clearing House access, with or without notice, during business hours to any of the Clearing Member's business premises

(which for the avoidance of doubt includes those premises in which records are stored) in order to carry out the Investigation;

(c) make its Representatives readily available for meetings with the Representatives of the Clearing House conducting the Investigation, as the Clearing House may reasonably request, and use its best endeavours to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;

(d) produce and give the Representatives of the Clearing House conducting the Investigation reasonable access to documents, records, files, tapes and computer systems which are within the Clearing Member's possession or control and provide any facilities which such Representatives may reasonably request; and

(e) print information in the Clearing Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the Representatives of the Clearing House conducting the Investigation.

9.3 Investigation process

9.3.1 If the Clearing House considers that a Complaint, matter or concern requires investigation or if the Clearing Member has requested an investigation in accordance with Rule 9.7.3, the Clearing House shall issue a notice of Investigation (**Investigation Notice**) to the Clearing Member concerned to the effect that an Investigation has been commenced and setting out a brief description of the matter under Investigation.

9.3.2 Once the Clearing House has carried out the Investigation it shall send to the relevant Clearing Member a preliminary letter that describes its preliminary factual conclusions and the action it proposes to take in the light of such breach.

9.3.3 The Clearing House shall also invite the Clearing Member to either attend a meeting or to send written comments to the Clearing House, in each case, to enable the Clearing Member to correct any factual error that it reasonably considers has been made in the preliminary letter. After the meeting or the receipt of written comments from the Clearing Member, as the case may be, the Clearing House shall finalise its initial findings and present them in writing to the Clearing Member.

9.3.4 After sending its initial findings to the Clearing Member, the Clearing House may exercise one (1) or more of the following powers in relation to the Clearing Member concerned:

(a) subject to Rule 9.7, decide that no further action should be taken against the Clearing Member;

(b) issue a private written warning to the Clearing Member;

(c) instigate Disciplinary Proceedings in accordance with Rule 9.4;

(d) carry out further enquiries if the Investigation indicates that this is necessary in order to conclude satisfactorily the Investigation;

(e) refer all or a portion of the investigation to a Regulatory Authority;

(f) publish, notwithstanding Rule 9.7 and subject to any objection by the Bank of England, details of the breach of the Rules on the Website.

9.3.5 The Clearing House shall notify the Clearing Member in writing of the power to be exercised. The Clearing House may, in an appropriate case, take different actions in relation to Clearing Members concerned in the same Disciplinary Proceedings or in different Disciplinary Proceedings on the same or similar facts.

9.4 Disciplinary Proceedings

9.4.1 The Clearing House shall commence the disciplinary proceedings set out in this Rule 9.4 (the **Disciplinary Proceedings**) only when it is reasonably satisfied that the Clearing Member has breached the Rules, whether as a result of an Investigation or otherwise.

9.4.2 The Clearing House may decide at any time to terminate the Disciplinary Proceedings or reach a settlement with the Clearing Member on such terms as it considers appropriate, at any stage during the Disciplinary Proceedings.

9.4.3 For the purposes of each Disciplinary Proceeding the Board of Directors shall nominate the members of a disciplinary panel, as it deems appropriate, which shall accordingly be referred to for the purposes of this Rule 9.4 as the **Disciplinary Panel**. The Disciplinary Panel will be comprised in accordance with 9.4.3(a) to 9.4.3(f) below:

(a) Each Disciplinary Panel shall consist of a chairman sitting with two other persons. Such persons, including the chairman, that are appointed to the Disciplinary Panel may be market practitioners, members of the Risk Committee, experts, lawyers or other suitable persons at the discretion of the Clearing House.

(b) Neither employees nor directors of the Clearing House shall be appointed to a Disciplinary Panel.

(c) No Clearing Member subject to disciplinary proceedings or any of their Affiliates, Representatives or customers shall be appointed to a Disciplinary Panel.

(d) No person shall serve on or sit with a Disciplinary Panel if he has a personal or financial interest in, or has been involved in any investigation into the matter under consideration.

(e) No person shall serve on or sit with a Disciplinary Panel if an undertaking with which he is associated has any commercial relationship with any of those parties listed in Rule 9.4.3(c) that may cause actual or potential material conflict.

(f) Expert assessors may be appointed, at the discretion of the Disciplinary Panel itself, to sit with and advise the Disciplinary Panel but not to vote.

9.4.4 In the event of any member of the Disciplinary Panel having or acquiring a personal, or financial interest in the outcome, or a commercial relationship as described in Rule 9.4.3(e), or in any other way being or becoming incapacitated or permanently unavailable, the chairman of the Disciplinary Panel (or in the case of the chairman of the Disciplinary Panel, the Chairman of the Board of Directors of the Clearing House) may direct that the Disciplinary Panel shall continue to act with a reduced number or appoint another person to take the place of the retiring member of the Disciplinary Panel (and the disciplinary proceedings shall then proceed as if such person had been originally appointed in lieu of the first person) or may direct that a new Disciplinary Panel should be appointed to rehear the matter.

9.4.5 In the event of equality of votes, the chairman shall have a second or casting vote in reaching any determination.

9.4.6 To commence the Disciplinary Proceedings the Clearing House shall send to the Clearing Member concerned a written notice (the **Disciplinary Notice**), which contains details of the alleged breach of the Rules and sufficient information to enable the Clearing Member to understand and respond to such allegations.

9.4.7 The Clearing Member shall have twenty (20) Business Days from receipt of the Disciplinary Notice to provide a statement of defence (the **Defence**) in respect of the allegations. The Defence shall set out the plea that the Clearing Member intends to make and any admissions of fact. If no Defence has been served within that timeframe the Clearing Member shall be deemed to have accepted the facts and matters alleged in the Disciplinary Notice.

9.4.8 After due consideration of the Defence, the Clearing House may either:

(a) proceed with the Disciplinary Proceedings;

(b) terminate the Disciplinary Proceedings; or

(c) amend the Disciplinary Notice in accordance with Rule 9.4.9.

9.4.9 The Clearing House may at any time amend a Disciplinary Notice provided that:

(a) the amendment is relevant to the allegation or breach of the Rules;

(b) the essential character of the allegation or the breach of the Rules has not been changed; and

(c) the Clearing Member would not be substantially prejudiced in any defence it may put before the Disciplinary Panel.

9.4.10 The Disciplinary Panel may order an adjournment at any stage upon an application by the Clearing House to enable an alleged separate or unrelated breach of the Rules which it reasonably believes the Clearing Member to have committed to be investigated further.

9.4.11 Following the amendment of a Disciplinary Notice, the Clearing Member shall have ten (10) Business Days to make any necessary changes to its Defence. If no amended Defence has been served within that timeframe the Clearing Member will be deemed to have accepted the facts and matters alleged in the amended Disciplinary Notice and indicated that its original Defence stands.

9.4.12 The Disciplinary Panel shall hear submissions on the matter of the alleged breach of the Rules and shall determine whether there has been a breach of the Rules and, if so, the appropriate sanction that shall be imposed. In carrying out this function, the Disciplinary Panel may adopt such procedure as it thinks fit. The Disciplinary Panel may:

(a) order the disclosure by the Clearing House or Clearing Member of such further information, documents or other evidence as may be necessary;

(b) issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;

(c) if it considers appropriate, but only with the express agreement of the Clearing House and the Clearing Member concerned, decide to determine the case upon written submissions and evidence placed before it;

(d) in all other cases, give the opportunity to, or require, the Clearing House and the Clearing Member to attend hearings before the Disciplinary Panel and the

Clearing House and the Clearing Member may call witnesses to give evidence and be questioned;

(e) allow the Clearing Member and the Clearing House to be assisted or represented by any person, whether or not legally qualified;

(f) require hearings to be held in private unless the Clearing Member or Clearing House requests otherwise and the other party consents; and

(g) appoint its own legal advisers.

9.4.13 The Disciplinary Panel shall apply the civil standard of proof on the balance of probabilities, with the cogency of evidence required being commensurate with the seriousness of the alleged breach.

9.4.14 The Disciplinary Panel shall not be bound by any rule of law or court procedure concerning admissibility of evidence and may accept as conclusive any finding of fact made by a court or any other Regulatory Authority.

9.4.15 The Disciplinary Panel shall communicate in writing its findings and particulars of any sanction determined to the Clearing House and to the Clearing Member concerned. Such findings and sanctions shall be deemed conclusive and binding upon expiry of the time permitted for appeal or receipt by the Clearing House of any earlier written notice from the Clearing Member that such right of appeal will not be exercised. Subject to Rule 9.4.16(b), such findings and sanctions shall not be made public.

9.4.16 The Disciplinary Panel may impose one or more of the following sanctions:

(a) issue a private written warning to the Clearing Member;

(b) issue of a public notice of censure;

(c) impose a fine of any amount;

(d) require the disgorgement of any gain made by the Clearing Member or its Representatives in connection with the breach of the Rules;

(e) recommend to the Clearing House to suspend or terminate the membership or membership of any or all Membership Categories of the Clearing Member with immediate effect; or

(f) issue an order requiring the Clearing Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Rules.

9.4.17 The Disciplinary Panel has discretion as to the appropriate sanction in each case and such differentiation may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences and whether the Clearing Member has since taken action to remedy the breach or prevent a recurrence.

9.4.18 The contravention of any sanction imposed or direction made under or pursuant to Rule 9.4.16 may be treated for all purposes as a breach of the Rules.

9.4.19 A Disciplinary Panel may order any party to the Disciplinary Proceedings to pay costs related to such proceedings as it thinks appropriate, including, but not limited to the costs of running the Disciplinary Panel and including the reasonable costs of the Clearing House's and Disciplinary Panel's external advisers.

9.4.20 If the Disciplinary Panel finds that the Clearing Member has breached any Rule, the Clearing House will, notwithstanding any provision of Rule 9.7 and subject to any objection from the Bank of England, publish details of such breach on the Website.

9.5 Appeals

9.5.1 Within ten (10) Business Days of receiving notice in writing of a decision of a Disciplinary Panel, or a notice of sanction (whichever is the later), or a calculation of a CCP Default Single Net Sum which the Clearing House disputes, a Clearing Member (whether current or former in the case of expulsion) or the Clearing House, or both, may appeal to the appeals body (the **Appeals Body**) by lodging with the Clearing House a notice of appeal in writing and by delivering a copy thereof to any other party to the Disciplinary Proceedings. The Clearing House shall refer the appeal to the Appeals Body within ten (10) Business Days of receipt of the appeal.

9.5.2 A notice of appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied on by the appellant. The grounds of the appeal may be any one or more of the following:

(a) the Disciplinary Panel's decision was:

(i) arbitrary, capricious, or an abuse of its discretion; or

(ii) based on a clearly erroneous application or interpretation of the Rules; or

(b) the sanction imposed by the Disciplinary Panel was excessive or, in the case of an appeal by the Clearing House, was insufficient or inappropriate.

9.5.3 In the case of appeal against a sanction, the Appeals Body may affirm, vary or revoke the sanction. The Appeals Body may make such order or give such direction as it

considers fit including a direction for a rehearing of the case by another newly constituted Disciplinary Panel.

9.5.4 The Appeals Body shall consist of one (1) or more than one (1) persons who shall be nominated for the purposes of this Rule 9.5.4 by the Centre for Effective Dispute Resolution in London. Such person shall:

(a) be independent of the Clearing House, meaning for the purposes of these Rules, that such person is not and has not ever been an officer, director or employee of the Clearing House or an Affiliate;

(b) have appropriate experience of the clearing market and normal clearing operations; and

(c) have appropriate knowledge of the Clearing House, the Rules and relevant Applicable Law.

9.5.5 An Appeals Body may adopt such procedure as it thinks fit and just, including, without limitation, the procedures described in Rule 9.4.12 and shall notify the Clearing Member accordingly. The Appeals Body shall be bound by Rule 9.4.13. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

9.5.6 The decision of an Appeals Body shall be final and binding and there shall be no further appeal. The decision shall be supported with reasons and shall be notified to the appellant and respondent in writing without undue delay. The decision of an Appeals Body shall not be made public unless otherwise agreed between the appellant and the respondent.

9.5.7 If the Appeals Body finds that any action taken by the Clearing House in accordance with Rule 9.4.20 should not have been taken, the Clearing House shall remove all relevant details from the Website.

9.6 Fines

9.6.1 The proceeds of any fine imposed by the Clearing House shall be used for the following purposes only:

(a) to meet expenses incurred by the Clearing House in the course of the Investigation, Disciplinary Proceeding or appeal from a Disciplinary Proceeding in respect of which it has been imposed;

(b) for the benefit of the Clearing Members generally; or

(c) for charitable purposes.

9.7 Rule Breaches

9.7.1 If the Clearing House reasonably believes that a Clearing Member has breached any of the Rules and details of such breach are required to be published pursuant to the Clearing House's regulatory obligations, it shall notify the Clearing Member in writing.

9.7.2 If the Clearing Member does not dispute the notice given in accordance with Rule 9.7.1 within 48 (forty eight) hours of such notice the Clearing House shall, subject to any objection from the Bank of England, publish details of the breach on the Website.

9.7.3 Subject to Rule 9.7.4, if the Clearing Member disputes the breach notified to it in accordance with Rule 9.7.1, the alleged breach shall be investigated in accordance with the provisions of this Chapter 9.

9.7.4 The Clearing House will not investigate a disputed breach where it reasonably believes that the dispute is frivolous, vexatious or has been made with the primary purpose of delaying the publication of details of the breach of the Rules.

CHAPTER 10
SETTLEMENT FINALITY

10.1 Introduction and Definitions

10.1.1 The Clearing House is a designated system for the purposes of the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (the **Settlement Finality Regulations**) in respect of Transfer Orders and default arrangements and certain other matters relating to the Clearing House. In addition, Part VII of the Companies Act 1989 (the **Companies Act 1989**) applies in respect of Contracts, the Default Rules and certain other matters relating to the Clearing House. The rules of the Designated System comprise this Chapter 10 (Settlement Finality) and the agreements the Clearing House has entered into with the Custodians and, in certain cases, other parties (the **Custody Agreements**), the settlement bank agreements the Clearing House has entered into with the Settlement Banks (the **Settlement Bank Agreements**) and the cash reinvestment agreements the Clearing House has entered into with the Cash Reinvestment Agents (the **Cash Reinvestment Agreements**) (together these shall be known as the **Settlement Finality Rules**).

10.1.2 The purpose of the Settlement Finality Regulations is to allow a system which effects securities and payments transfers to apply to be a designated system and thereby to have the benefit of certain modifications to the general law of insolvency. The modifications seek to minimise the disruption to a system caused by insolvency proceedings brought against a participant in such system. The aim is to ensure that in insolvency proceedings transactions that have been settled in the system are final and irrevocable and to strengthen the enforceability of collateral security. In order to receive these protections, a system must meet the criteria set out in the Settlement Finality Regulations and be designated by the Bank of England or its predecessor, the FSA.

10.1.3 Clearing Members, being participants of the Designated System, are also subject to various obligations and requirements as a result of the Settlement Finality Regulations and Companies Act 1989. Clearing Members 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 and the Companies Act 1989.

10.2 Definitions

Cash Reinvestment Agent means an agent through which the Clearing House invests Collateral and/ or Contributions;

Designated System means the standardised formal arrangements, common rules and procedures as set out in the Rules and the Settlement Finality Rules (to the extent applicable), and related functionality which:

(a) enables the Clearing House to give instructions to transfer to Clearing Members amounts of money on the accounts of certain banks, credit institutions, investment firms or settlement agents;

(b) enables (a) the Clearing House to give instructions on behalf of Clearing Members; and (b) Clearing Members to give instructions, in each case, to transfer to the Clearing House amounts of money on the accounts of certain banks, credit institutions, investment firms or settlement agents;

(c) enables the Clearing House to give instructions to a Custodian to arrange for the transfer of title to, and interest in, Securities and cash;

(d) enables Clearing Members to give instructions to any of their custodians or the Custodian to transfer title to, and interest in, Securities and cash;

(e) enables the Clearing House to give instructions to any of its Cash Reinvestment Agents to arrange for the transfer of title to, and interest in, cash;

(f) enables the Clearing House to become central counterparty to Clearing Members in respect of Transactions;

(g) enables the Clearing House and Clearing Members to fulfill the obligations they incur in respect of Contracts and otherwise to one another pursuant to the Rules;

(h) enables transfers, assignments and novations, however effected, of Contracts between Clearing Members in accordance with the Rules including following a Declaration of Default; and

(i) facilitates supplementary and incidental matters to the satisfaction of obligations pursuant to Contracts and the collection and payment of amounts due in accordance with the Rules.

Participant means the Clearing House, each Clearing Member, each Settlement Bank, each Agent Bank, each Custodian and each Cash Reinvestment Agent and each other person that is a participant (as defined in the Settlement Finality Regulations) in the Designated System (and this Chapter 10 shall apply equally to any insolvency practitioner appointed for, or with powers in respect of, a Participant).

Payment Transfer Order has the same meaning as in the Settlement Finality Regulations.

Securities has the same meaning as in the Settlement Finality Regulations.

Securities Transfer Order has the same meaning as in the Settlement Finality Regulations.

Transfer Order means a Payment Transfer Order or a Securities Transfer Order.

10.3 Transfer Orders Arising

10.3.1 The points at which a Transfer Order takes effect as having been entered into the Designated System are when:

Securities Transfer Orders

(a) (i) the Clearing House sends an instruction to a Custodian by SWIFT message or such other form; or (ii) a Custodian acts on a standing instruction, in each case, as set out in the relevant Custody Agreement to transfer the title to, and interest in, Eligible Securities from an account of the Clearing Member or a Client to an account of the Clearing House, in each case pursuant to Rule 6.1.6 (a **Securities Substitution**);

(b) (i) the Clearing House sends an instruction to a Custodian by SWIFT message or such other form, or (ii) a Custodian acts on a standing instruction, in each case, as set out in the relevant Custody Agreement to transfer the title to, and interest in, Eligible Securities from an account of the Clearing House to an account of the Clearing Member or a Client pursuant to Rule 6.1.6 (a **Securities Return**);

(c) a Contract is registered by the Clearing House in the Clearing System in accordance with Rule 5.2 (a **Contract Order**);

(d) the transfer, assignment or novation of any Contract from a Clearing Member to a Transferee Clearing Member occurs pursuant to Rule 3A.6 or Rule 5.3 (a **Contract Transfer**);

(e) the transfer of an Affected Contract from the Defaulting Clearing Member to another Clearing Member including an Adopting Clearing Member occurs (an **Affected Contract Transfer**);

(f) the transfer of Eligible Securities by the Clearing House from a Clearing Member or a Defaulting Clearing Member to another Clearing Member including an Adopting Clearing Member or its Client occurs in respect of a Contract Transfer or an Affected Contract Transfer (a **Securities Collateral Transfer**);

(g) the Clearing House sends an instruction to a Custodian by SWIFT message or such other form as set out in the relevant Custody Agreement to transfer the title to, and interest in, Eligible Securities from an account of the Clearing House to an account of the Defaulting Clearing Member or its insolvency practitioner or any Client or Security Trustee of the Defaulting Clearing Member or the relevant FS Security Trustee pursuant to any of the Default Rules, the Client Protection Agreement and the FS Documents (a **Securities Collateral Return**);

Payment Transfer Orders

(h) the Clearing House sends an instruction to a Settlement Bank, by SWIFT message or such other form as set out in the relevant Settlement Bank Agreement, to transfer to the Clearing House an amount of money to be debited from an account of the Clearing Member with the Settlement Bank pursuant to the Rules including in respect of Contracts, Collateral, Contribution, fees and charges, interest on Eligible Cash and Equivalent Distributions (a **Receipt**);

(i) the Clearing House sends an instruction to a Settlement Bank, by SWIFT message or such other form as set out in the relevant Settlement Bank Agreement, to transfer to a Clearing Member an amount of money to be debited from an account of the Clearing House pursuant to the Rules including in respect of Contracts, Collateral, Contribution, interest on Eligible Cash and Equivalent Distributions from the Clearing House's account at the Settlement Bank to the Clearing Member's account at the Settlement Bank (a **Payment**);

(j) the transfer of Eligible Cash by the Clearing House from a Clearing Member or a Defaulting Clearing Member to another Clearing Member, including an Adopting Clearing Member, occurs in respect of a Contract Transfer or an Affected Contract Transfer (a **Cash Collateral Transfer**);

(k) the Clearing House sends an instruction to a Settlement Bank, by SWIFT message or such other form as set out in the relevant Settlement Bank Agreement, to transfer to a Defaulting Clearing Member or its insolvency practitioner or any Client or Security Trustee of the Defaulting Clearing Member or the relevant FS Security Trustee an amount of money to be debited from an account of the Clearing House pursuant to any of the Default Rules, the Client Protection Agreement and the FS Documents (a **Cash Collateral Return**);

(l) (i) the Clearing House sends an instruction to the Custodian, by SWIFT message or such other form as set out in the relevant Custody Agreement, or (ii) a Custodian acts on a standing instruction in the relevant Custody Agreement, to transfer to the Clearing House or a Clearing Member including an Adopting

Clearing Member, or any Client or Security Trustee of the Clearing Member or the relevant FS Security Trustee an amount of money to be debited from an account of the Clearing House with the relevant Custodian as permitted by the Custody Agreement (a **Custody Cash Transfer**);

(m) the Clearing House sends an instruction to the Cash Reinvestment Agent, by SWIFT message or such other form as set out in the Cash Reinvestment Agreement, to transfer to the Clearing House an amount of money to be debited from an account of the Clearing House with the Cash Reinvestment Agent or an account of the Cash Reinvestment Agent as permitted by the Cash Reinvestment Agreement (a **Reinvestment Cash Transfer**);

(n) the Clearing House sends an instruction to an Agent Bank to transfer to a Clearing Member an amount of money to be debited from an account of the Clearing House with the Agent Bank pursuant to the Rules in respect of Contracts (a **Settlement Out**);

(o) a Clearing Member sends an instruction to a bank to transfer an amount of money to be debited from the account of the Clearing Member to an account of the Clearing House with an Agent Bank pursuant to the Rules including in respect of Contracts (a **Settlement In**);

(p) the Clearing House sends an instruction to a Clearing Member to initiate a transfer from its CLS Account to the CLS Account of another Clearing Member pursuant to its delivery obligations under a Contract (a **CLS Transfer**).

10.4 Transfer Orders Irrevocable

10.4.1 The points at which a Transfer Order may not be revoked are:

Securities Transfer Orders

(a) in respect of a Securities Substitution, the time at which the transfer of Securities becomes irrevocable in accordance with the rules of such Custodian;

(b) in respect of a Securities Return, the time at which the transfer of Securities becomes irrevocable in accordance with the rules of such Custodian;

(c) in respect of a Contract Order, from the time of its registration by the Clearing House in the Clearing System in accordance with Rule 5.2;

(d) in respect of a Contract Transfer, the time at which the Clearing House's books and records are updated to reflect a successful Contract Transfer;

(e) in respect of an Affected Contract Transfer, the time at which the Clearing House's books and records are updated to reflect a successful Affected Contract Transfer;

(f) in respect of a Securities Collateral Transfer, the time at which the Clearing House's books and records are updated to reflect a successful Securities Collateral Transfer;

(g) in respect of a Securities Collateral Return, the time at which the transfer of Securities becomes irrevocable in accordance with the rules of such Custodian;

Payment Transfer Orders

(h) in respect of a Receipt, the time at which the Settlement Bank gives confirmation to the Clearing House by SWIFT message type MT910 (Confirmation of Credit) or, in the event of a failure of the SWIFT system or access to the SWIFT system failing, by fax or in another form agreed in the relevant Settlement Bank Agreement, that such payment will be made or that such payment has been made by book transfer, whichever is earlier;

(i) in respect of a Payment, the time at which the Settlement Bank gives confirmation to the Clearing House by SWIFT or, in the event of a failure of the SWIFT system or access to the SWIFT system failing, by fax or in another form as agreed in the relevant Settlement Bank Agreement, that such payment has been made by book transfer;

(j) in respect of a Cash Collateral Transfer, the time at which the Clearing House's books and records are updated as a result of a successful transfer to reflect the Cash Collateral Transfer;

(k) in respect of a Cash Collateral Return, the time at which Settlement Bank gives confirmation to the Clearing House by SWIFT or, in the event of a failure of the SWIFT system or access to the SWIFT system failing, by fax or in another form as agreed in the relevant Settlement Bank Agreement, that such payment has been made by book transfer;

(l) in respect of a Custody Cash Transfer, the time at which the transfer of Securities becomes irrevocable in accordance with the rules of such Custodian;

(m) in respect of a Reinvestment Cash Transfer, the time at which the Cash Reinvestment Agent gives confirmation to the Clearing House by SWIFT or, in the event of a failure of the SWIFT system or access to the SWIFT system failing, by fax or in another form as agreed in the Cash Reinvestment Agreement

of such credit of cash to the account of the Clearing House or such other account as instructed by the Clearing House;

(n) in respect of a Settlement Out, the time at which the Agent Bank gives confirmation to the Clearing House by SWIFT or, in the event of the SWIFT system or access to the SWIFT system failing, by fax or in another agreed form between the Clearing House and the Agent Bank, that such payment has been made;

(o) in respect of a Settlement In, the time at which the Agent Bank gives confirmation to the Clearing House by Swift or, in the event of a failure of the SWIFT system or access to the SWIFT system failing, by fax or in another form agreed between the Clearing House and the Agent Bank, of receipt of such money in the Clearing House's account at the Agent Bank;

(p) in respect of a CLS Transfer, the time at which the transfer order in the CLS System which includes the CLS Transfer is specified as being irrevocable by the rules of the CLS System.

10.4.2 A Transfer Order shall not be revoked or purport to be revoked by any Participant (or any insolvency practitioner appointed in relation to the Participant), and shall be binding on all such persons, after the times specified in this Rule 10.4 as being the time at which such Transfer Order becomes irrevocable.

10.4.3 If two or more Transfer Orders exist in respect of the same obligation before becoming irrevocable, all such Transfer Orders shall be valid. No duplication of an obligation to pay should be considered valid and two or more Transfer Orders should not be considered as duplicate solely on the grounds that they relate to the same obligation.

10.5 Further provisions on Transfer Orders

10.5.1 No Transfer Order shall arise, enter the Designated System or become irrevocable except as set out in the Settlement Finality Rules.

10.5.2 A Transfer Order and the provisions relating to it under this Chapter 10 of the Rules are not dependent on the validity of the Contract to which it relates.

10.6 Provision of Information

10.6.1 The Clearing House and any Participant must provide, upon payment of a charge as may be required by the Clearing House or a Participant, the following information to any person who requests it, save where the request is frivolous or vexatious, within fourteen (14) days of a request being made:

(a) details of the Designated System; and

(b) information about the main rules governing the functioning of the Designated System.

10.6.2 The Clearing House will provide a copy of the information referred to in Rule 10.6.1 to any Clearing Member upon request.

10.6.3 Each Participant will provide to the Clearing House such information as the Clearing House may reasonably require from time to time in order to meet its obligations as operator of the Designated System.

10.7 Notice to the Bank of England

10.7.1 Each Participant shall notify the Chief Operating Officer of the Clearing House and the Manager of the Payment Systems Oversight, Market Infrastructure of the Bank of England forthwith in the event that:

(a) a creditors' voluntary winding up resolution is passed in respect of the Participant;

(b) a trust deed granted by the Participant becomes a protected trust deed; or

(c) any analogous event occurs in respect of the Participant under the laws of a jurisdiction other than England.

10.7.2 Any such notice shall be given in writing and delivered in person or sent by recorded or special delivery post to the recipient. If delivered in person, it shall be deemed to be given when left at the relevant address. If sent by recorded or special delivery post, it shall be deemed to be given two Business Days after posting.

10.7.3 The addresses for notices are set out below:

CME Clearing Europe Limited
One New Change
London EC4M 9AF

Bank of England
Threadneedle Street
London EC2R 8AH

CHAPTER 11
CONTRACT PERFORMANCE

11.1 Cash Settlement

11.1.1 A Contract shall be settled in cash on its expiration if pursuant to the applicable Contract Specification there is an obligation to make or receive a payment in cash.

11.1.2 Where a Clearing Member enters into a Contract subject to cash settlement and such Contract is not closed out prior to its expiration, the Clearing Member with an obligation to make a payment under the Contract shall pay all amounts due in accordance with the Contract Specification and the applicable Procedures.

11.2 Physical Delivery

11.2.1 A Clearing Member shall have in place all necessary arrangements with delivery facilities and/or settlement agents as described in the Procedures and/or the Contract Specification to facilitate the delivery of the underlying commodity, asset or instrument before the Clearing Member is eligible to clear a Transaction subject to physical delivery with the Clearing House.

11.2.2 A Contract shall be subject to physical delivery on its expiration if pursuant to the applicable Contract Specification there is an obligation to make or to take delivery of a commodity, asset or other such instrument, as described in the relevant Contract Specification.

11.2.3 Where a Clearing Member enters into a Contract subject to physical delivery and such Contract is not closed out prior to its expiration, the Clearing Member shall be liable to make delivery or receive delivery, as appropriate, of the commodity, asset or other such instrument and/or to make any corresponding cash payment in accordance with the Contract Specification and the applicable Procedures.

11.2.4 Where a Clearing Member enters into a Contract subject to physical delivery, the Clearing Member shall provide to the Clearing House all information relating to delivery facilities, locations, accounts and other relevant information as requested by the Clearing House to be used to fulfil delivery, as set out in the applicable Procedures.

11.2.5 Where a Contract is subject to physical delivery, the Clearing House may require such Contract to be settled in cash instead at a price determined by the Clearing House acting reasonably, if the Clearing House believes such action is necessary to protect the integrity of the Clearing House.

11.2.6 Where a Contract is subject to physical settlement, the Clearing House may, notwithstanding Chapter 9 of this Rulebook, impose a fine on a Clearing Member in respect of a delivery failure. Details of when such fines may be imposed and the level of such fines are set out in the relevant Procedure.

11.2.7 Where a Contract is subject to physical delivery, the Clearing House may, in its sole discretion, delay the performance of its delivery obligations until it has received the required amount of the relevant asset to be delivered from another Clearing Member.

11.3 Delivery Obligations

11.3.1 Except in relation to FX Obligations, the Clearing House may in accordance with the relevant delivery Procedures:

(a) direct a Clearing Member who is a seller under a Contract to deliver the subject matter of such Contract which it owes to the Clearing House to such other Clearing Member, being a buyer under a Contract, as the Clearing House shall direct; and

(b) direct a Clearing Member who is a buyer under a Contract to deliver the subject matter of such Contract which it owes to the Clearing House to such other Clearing Member, being a seller under a Contract, as the Clearing House shall direct.

11.3.2 Delivery in accordance with directions given by the Clearing House pursuant to Rule 11.3.1 will satisfy the performance of the delivery obligations of:

(a) the selling Clearing Member towards the Clearing House in respect of a Contract, provided that the delivery has been made in accordance with Rule 11.3.1(a);

(b) the Clearing House towards the selling Clearing Member in respect of a Contract provided that delivery has been made in accordance with Rule 11.3.1(b);

(c) the buying Clearing Member towards the Clearing House in respect of a Contract provided that the delivery has been made in accordance with Rule 11.3.1(b); and

(d) the Clearing House towards the buying Clearing Member in respect of a Contract provided that the delivery has been made in accordance with Rule 11.3.1(a).

11.3.3 Any information that is provided to a Clearing Member in order to facilitate a delivery in accordance with Rule 11.3.1, including the subject matter of the Contract, the identity of the other Clearing Member and the value of the delivery, may only be used by the Clearing Member for the sole purpose of making the delivery as directed by the

Clearing House. The Clearing Member consents to the publication of any such information on the Website.

11.4 Delivery Obligations – FX Obligations

11.4.1 With respect to FX Contracts, each Clearing Member shall have delivery obligations directly to such other relevant Clearing Member as shall be determined by the Clearing House (each such obligation, whether settled through the CLS System, the Clearing House or otherwise, is an **FX Obligation**).

11.4.2 Each such FX Contract shall remain in force between the Clearing House and the Clearing Member after its expiration except that:

(a) the Clearing House shall not have any obligations (including, without limitation, any obligation to deliver) in respect of an FX Contract or an FX Obligation except as expressly provided for in Rule 11.6 and 11.7; and

(b) although no Clearing Member is obliged to deliver to the Clearing House in relation to such FX Contract, the Rules and Procedures (including, without limitation, Rules 2.3.1, 2.3.2, 11.5.3(b), 11.6 and 11.7 and Chapter 8) shall continue to apply to each Clearing Member in respect of such FX Contract and any related FX Obligation and Unsettled FX Obligation,

and **expiration** and **expiry** of an FX Contract shall be construed accordingly.

11.4.3 This Rule 11.4 is subject to Rules 11.6 and 11.7.

11.5 Option Premium

11.5.1 A Clearing Member entering into a Transaction in respect of an option with an obligation to pay shall pay the option premium amount in accordance with the Contract Specification.

11.6 Delivery Failure

11.6.1 A Clearing Member shall ensure that any settlement and/or delivery obligations in respect of a Contract shall occur in accordance with the timings as described in the Contract Specification.

11.6.2 In the event a Clearing Member fails to perform its delivery obligations to the Clearing House or another Clearing Member:

(a) the Clearing Member shall indemnify the Clearing House in accordance with Rules 2.3.1, 2.3.2 and 11.6.3(b);

(b) the Clearing House will not return any Collateral held in respect of the relevant Contract(s) until the Clearing Member's obligations to the Clearing House or (in the discretion of the Clearing House) to the other Clearing Member in respect of the Contract have been satisfied;

(c) the Clearing House may declare an Event of Default in accordance with Rule 8.2.1;

(d) the Clearing House may, at its absolute discretion, take any other action as it deems appropriate to remedy the delivery failure at any stage (including but not limited to the right to purchase or sell, as applicable, the commodity, asset or other instrument subject to delivery); and

(e) the Clearing House may require the Clearing Members to take the actions set out in Rule 11.6.6.

11.6.3 Without prejudice to the generality of Rules 2.3.1 and 2.3.2, in the event that there is, in the reasonable opinion of the Clearing House, a delivery failure in respect of a physically settled Contract or part thereof:

(a) the sole obligation of the Clearing House to the Clearing Member whose actions or omissions did not cause or contribute to the delivery failure is to pay an amount equal to the loss suffered by such Clearing Member, after such Clearing Member has used reasonable endeavours to minimise the loss, which shall not exceed the aggregate of:

(i) (A) the spot FX price of the delivery asset (for Exchange Contracts that are FX Contracts) or the reasonable mark-to-market value of the delivery asset (for other physically settled Contracts) at the earliest time the delivery obligations in respect of a Contract could be concluded by the Clearing Member following awareness that a settlement failure has occurred or is significantly likely to occur as reasonably determined by the Clearing House; less (B) the final settlement price of such Contract as determined on the expiry day of such Contract; and

(ii) in the discretion of the Clearing House, any expenses incurred by the Clearing Member in converting the original delivery asset of such Contract, as the Clearing House considers are reasonably incurred,

the result being the **Replacement Cost**; and

(b) the Clearing Member whose actions or omissions did cause or contribute to the delivery failure shall indemnify the Clearing House for the loss suffered by the

Clearing House, which the Clearing House may determine to be an amount equal to the Replacement Cost which it owes a corresponding Clearing Member.

11.6.4 The Clearing House shall not:

(a) make or accept delivery of the actual asset that is the subject matter of the contract; or

(b) pay any damages relating to the accuracy, genuineness, completeness, or acceptability of certificates, instruments, warehouse receipts, shipping certificates, or other similar documents.

11.6.5 Notwithstanding any provisions in the Rules, including Rule 11.6.3, if:

(a) the Clearing Member fails to notify the Clearing House of the delivery failure no later than the time specified in the relevant delivery Procedure for such notification; or

(b) with respect to Contracts where delivery obligations are fulfilled directly between Clearing Members in accordance with Rule 11.3, 11.4 and the Procedures either:

(i) if the original settlement procedure had anticipated settlement through the CLS System, settlement failure was caused by the CLS System; or

(ii) if the Clearing Members had agreed an alternative settlement procedure prior to becoming aware that a settlement failure had occurred or was significantly likely to occur, they did not obtain the prior consent of the Clearing House to such alternative settlement procedure,

then:

(A) a Clearing Member shall have no recourse against the Clearing House in relation to a Contract under which the Clearing House has not fulfilled its delivery obligations; and

(B) the Clearing House shall have no liability for any losses suffered or costs incurred by a Clearing Member or any other person arising out of or connected to the Clearing House's failure to fulfil a delivery obligation including any Replacement Cost.

Actions in the event of a delivery failure

11.6.6 In the event of a delivery obligation failure, the Clearing House may, at its sole discretion:

(a) instruct the Clearing Member which has failed to meet all or any part of a delivery obligation to, at the Clearing Member's cost, fulfil its outstanding delivery obligation as directed by the Clearing House; and/or

(b) instruct the Clearing Member which has not received all or any part of an asset due to it under a Contract to procure the amount of the asset which has not been delivered and the Clearing House may release any assets delivered to it for such purpose.

11.7 Delivery Failure – FX Obligations and Defaulting Clearing Members

11.7.1 This Rule 11.7 applies only to the extent that all of the following are satisfied:

(a) it applies to FX Obligations that are owed by or to a Defaulting Clearing Member;

(b) any of those FX Obligations have not been satisfied; and

(c) the Clearing House has been notified of this in accordance with 5.15 of the FX Delivery Procedures.

11.7.2 Notwithstanding any other provision of the Rules or otherwise, the only obligations and liability of the Clearing House under or in relation to a FX Obligation, an FX Contract to which a FX Obligation relates or a Temporary Contract is contained in this Rule 11.7. However, the Clearing House may exercise alternatively or additionally any rights (and shall have the protections) under this Chapter 11 and otherwise.

Evaluation by Clearing House between Declaration of Default and Step-In Time

11.7.3 Promptly after issue of the relevant Declaration of Default, the Clearing House shall:

(a) notify each Relevant FX Clearing Member of the delivery default and instruct them not to settle a FX Obligation except in accordance with this Rule 11.7 (and each Relevant FX Clearing Member shall comply immediately with such instructions);

(b) in respect of FX Obligations that are being settled by Wire Transfer (as contemplated in the FX Delivery Procedure), if:

(i) the Relevant FX Clearing Member has delivered currency to satisfy all of its FX Obligations to the Defaulting Clearing Member; and

(ii) the Clearing House does not believe that an Event of Default has or is reasonably likely to occur in relation to such Relevant FX Clearing Member,

return to the Relevant FX Clearing Member any of such currency which relates to its unsettled FX Obligations with the Defaulting Clearing Member;

(c) identify such Paired FX Obligations and related pairs of Relevant FX Clearing Members as it determines necessary to manage the relevant default; and

(d) identify Matching Collateral and Contributions of the Defaulting Clearing Member for the purposes of Rules 11.7.4 and 11.7.5(c),

and the time of completion of this process (determined by the Clearing House in its discretion) is the **Step-in Time**.

11.7.4 To obtain Matching Collateral of the Defaulting Clearing Member, the Clearing House may exchange at a market rate determined by it:

(a) any Eligible Cash Collateral standing to the credit of the House Account of the Defaulting Clearing Member; for

(b) any Contribution of the Defaulting Clearing Member which is in the same currency as a FX Obligation of the Defaulting Clearing Member,

so that the Collateral shall become (and be treated for all purposes) as Contribution and vice versa. Notwithstanding any other provision of the Rules or agreement with a Clearing Member, any obligation of the Clearing House to deliver Equivalent Assets to a Clearing Member under any Rule (including, without limitation, under Rule 3.10) shall be subject to this Rule 11.7.4.

Actions at the Step-In Time

11.7.5 At the Step-in Time, automatically and without any further action:

(a) new FX Obligations shall come into existence between the Relevant FX Clearing Members and on the terms of the Paired FX Obligations identified pursuant to Rule 11.7.3, except that if the Paired FX Obligation of a Relevant FX Clearing Member:

(i) was owed to the Defaulting Clearing Member, the new FX Obligation shall be owed to the other Relevant FX Clearing Member; and

(ii) was owed by the Defaulting Clearing Member, the new FX Obligation shall be owed by the other Relevant FX Clearing Member;

(b) the Defaulting Clearing Member and each Relevant FX Clearing Member shall be released from their existing FX Obligations to the extent of such new FX Obligations;

(c) any remaining FX Obligations shall be fully or partially settled by setting-off any Matching Collateral of the Defaulting Clearing Member against an amount proportionate to the Relevant FX Clearing Member's FX Obligation as determined pursuant to Rule 11.7.3 provided that:

(i) the Clearing House determines, in relation to any FX Obligation of the Defaulting Clearing Member, that it is holding cash in full settlement of the Relevant FX Clearing Member's matching FX Obligation; and

(ii) the Clearing House shall deliver any such settlement by Wire Transfer; and

(iii) the Clearing House shall use best endeavours to complete actions in this Rule 11.7.5(c) on the same day as the Declaration of Default has been issued.

(d) in relation to each Relevant FX Clearing Member, a Temporary Contract shall come into existence between the Clearing House and the Relevant FX Clearing Member; a Termination Swap shall come into existence; and the Temporary Contract and the Termination Swap shall net to zero; and

(e) the Defaulting Clearing Member and each Relevant FX Clearing Member shall be released from any remaining Unsettled FX Obligations between each other but, although no Clearing Member is obliged to deliver to the Clearing House in relation to such FX Contract, the Rules and Procedures (including, without limitation, Rules 2.3.1, 2.3.2, 11.6.3(b), the remainder of this Rule 11.7 and Chapter 8) shall continue to apply to each Clearing Member in respect of such Unsettled FX Obligations

Replacement Transactions between Step-In Time and Settlement Deadline

11.7.6 A Relevant FX Clearing Member may enter into any spot or future to replace Unsettled FX Obligations (each a **Replacement Transaction**) and, if it does, it shall provide to the Clearing House evidence acceptable to the Clearing House (acting reasonably) of the existence and terms of such Replacement Transaction and when it was executed. The Clearing House shall, at the request of the Relevant FX Clearing Member, use

reasonable endeavours to assist in arranging any Replacement Transaction before the Settlement Deadline, but the Clearing House:

(a) has no obligation to facilitate such transaction; and

(b) will not be a counterparty to such transaction.

11.7.7 If the acts or omissions of a Relevant FX Clearing Member did not cause or contribute to the delivery failure of the Defaulting Clearing Member, then (in consideration for the Termination Swap):

(a) if a Replacement Transaction is executed on or before the Settlement Deadline, the sole obligation of the Clearing House to the Relevant FX Clearing Member is to pay an amount equal to the loss suffered by such Clearing Member, after such Clearing Member has used reasonable endeavours to minimise the loss, which shall not exceed the aggregate of:

(i) (A) the spot FX price of the delivery asset (for FX Obligations that relate to Exchange Contracts that are FX Contracts) at the earliest time the FX Obligations could be concluded by the Relevant FX Clearing Member following awareness that a settlement failure has occurred or is significantly likely to occur as reasonably determined by the Clearing House; less (B) the final settlement price relating to such FX Obligation as determined on the expiry day; and

(ii) in the discretion of the Clearing House, any expenses incurred by the Relevant FX Clearing Member in executing the Replacement Transaction, as the Clearing House considers are reasonably incurred; and

(b) if a Replacement Transaction is not executed on or before the Settlement Deadline:

(i) the Clearing House shall calculate the obligations that would have been owed between it and the Relevant FX Clearing Member if the relevant Unsettled FX Obligation had been settled in cash on the original due date for delivery; and

(ii) the Clearing House or (as the context requires) the Relevant FX Clearing Member shall pay to the other on the Settlement Date (or as otherwise instructed by the Clearing House) an amount equal to such obligation.

11.7.8 If the acts or omissions of a Relevant FX Clearing Member cause or contribute to the delivery failure of the Defaulting Clearing Member, then the Relevant FX Clearing Member shall indemnify the Clearing House on demand for any loss, liability, cost or expense incurred by the Clearing House.

11.8 Option reference price

11.8.1 The Clearing House will specify the reference price for each Contract which is an option.

11.8.2 If the option Contract is an Exchange Contract, the reference price will, subject to Rule 11.8.3, be determined on the basis of data provided by the Exchange.

11.8.3 The Clearing House shall be entitled to determine the reference price itself, at its discretion, if:

(a) the Exchange fails on any day to determine a reference price;

(b) the Exchange fails to provide the Clearing House with necessary data for the determination of a reference price;

(c) there is, in the reasonable opinion of the Clearing House, an error in the data provided by the Exchange for the purposes of determining a reference price; or

(d) the Clearing House reasonably considers it appropriate to do so.

11.9 Delivery of options Contracts

11.9.1 If an option Contract is exercised in accordance with the Procedures, upon receipt of the relevant underlying deliverable, by either the Clearing Member or the Clearing House (as applicable), the rights, obligations and liabilities of the Clearing House and the Clearing Member in respect of the option Contract shall be satisfied and the option Contract shall be terminated.

11.10 Expiry and Abandonment of options Contracts

11.10.1 If an option Contract is not automatically exercised or exercised by the Clearing Member in accordance with the Procedures, all the rights, liabilities and obligations of each of the Clearing House and the Clearing Member shall lapse and the option Contract shall be terminated and deemed to be abandoned.

11.10.2 If, in accordance with the Procedures, a Clearing Member is deemed to have abandoned or instructs the Clearing House that it wishes to abandon an option Contract, all rights, liabilities and obligations of each of the Clearing House and the

Clearing Member in respect of that option Contract shall lapse and the option Contract shall be terminated.

11.11 Establishment of final settlement price

11.11.1 In the event that the final settlement price of a Contract is unable to be determined on its expiration or if the procedure for determining the final settlement price as specified in the relevant Procedures and/or Contract Specification results in a final settlement price that is, in the Clearing House's reasonable discretion, clearly inconsistent with the market value of the Contract on its expiration or otherwise clearly erroneous and alternative settlement procedures are not otherwise specified, the CEO, the Chief Operating Officer or their delegate may, acting in a commercially reasonable manner, establish a final settlement price that reflects the true market value of the Contract at the time of its expiration.

11.11.2 Where the final settlement of a Contract that is subject to either cash settlement or physical delivery has been paid, the Clearing House shall not be entitled to establish a final settlement price pursuant to Rule 11.11.1 above for any reason after ten (10) Business Days from the date of such payment.

CHAPTER 12
REPORTING

12.1 EMIR Regulatory reporting of Contracts

12.1.1 The Clearing House will report its counterparty data and the common data relating to the conclusion, modification and termination of each Contract other than a spot Contract to the Trade Repository to satisfy its obligations under EMIR.

12.1.2 The Clearing House will report to the Trade Repository the Clearing Member's counterparty data (the **Clearing Member Counterparty Data**) and the common data (the **Clearing Member Common Data**) relating to the conclusion, modification and termination of each Contract other than a spot Contract to the Trade Repository on behalf of the Clearing Member provided that:

(a) The Clearing Member has not given notice to the Clearing House pursuant to Rule 12.2.1;

(b) The Clearing Member has entered into and is party to the CME Repository Services User Agreement and has paid any fees owing to the Trade Repository;

(c) The Clearing Member has entered into any agreement which the Clearing House may reasonably require and has paid to the Clearing House any fees applicable to it in respect of the service set out in this Rule 12.1.2; and

(d) The Clearing Member has provided the information which the Clearing House reasonably requires to complete the Clearing Member Reports on behalf of the Clearing Member and the Clearing House has no reason to consider that the data in the Clearing Member Reports is not accurate and complete in all material respects.

12.2 Opting out of the reporting service

12.2.1 The Clearing House will not make the Clearing Member Reports on behalf of the Clearing Member if the Clearing Member gives written notice to the Clearing House in the prescribed form available on the Website stating that it does not want the Clearing House to do so. The Clearing House will be entitled to interpret any such notice as relating to the conclusion, modification and termination of all Contracts recorded in Accounts relating to the Clearing Member, including those so recorded at and following the Reporting Switch-Off Date until a subsequent Reporting Switch-On Date and shall not make Clearing Member Reports in respect of such Contracts for such period. The

Reporting Switch-Off Date is such date as the Clearing House shall specify by written notice to the Clearing Member, which date shall not be later than 5 (five) Business Days from the date of receipt of the Clearing Member's notice by the Clearing House.

12.2.2 If, having initiated a Reporting Switch-Off Date, the Clearing Member wants the Clearing House to make the Clearing Member Counterparty Reports in relation to Contracts credited to the Accounts relating to the Clearing Member in accordance with Rule 12.1.2, the Clearing Member will give written notice to the Clearing House in the prescribed form available on the Website stating that it wants the Clearing House to do so. The Clearing House will be entitled to interpret such notice as relating to the conclusion, modification and termination of all Contracts other than a spot Contract recorded in Accounts relating to the Clearing Member, including those so recorded at and following the Reporting Switch-On Date until a subsequent Reporting Switch-Off Date and shall make Clearing Member Reports in respect of such Contracts in accordance with Rule 12.1.2. The Reporting Switch-On Date is such date as the Clearing House shall specify by written notice to the Clearing Member, which date shall not be later than 5 (five) Business Days from the date of receipt of the Clearing Member's notice by the Clearing House.

12.2.3 The Clearing House will not make the Clearing Member Reports on behalf of the Clearing Member if the Clearing Member does not satisfy the conditions in Rule 12.1.2 even if the Clearing Member has not given notice in accordance with Rule 12.2.1.

12.3 No reporting by the Clearing Member

12.3.1 In order to avoid duplication, unless the Clearing Member has notified the Clearing House in accordance with Rule 12.2.1 or failed to satisfy any of the conditions in Rule 12.1.2, the Clearing Member shall not report the Clearing Member Counterparty Data or the Clearing Member Common Data relating to any Contract to a trade repository.

12.4 Contents of the reports

12.4.1 The Clearing House shall make available on the Website details of the data that will be reported in each field of the Clearing Member Reports.

12.5 Clearing Member responsibilities

12.5.1 As a registered user of the Trade Repository, the Clearing Member may access all data reported to the Trade Repository by the Clearing House. It is the Clearing Member's responsibility to check the Clearing Member Reports made to the Trade Repository by the Clearing House are accurate and complete in all material respects and, if they are not, to engage directly with, the Trade Repository to correct such data in accordance with the TR Rulebook.

12.5.2 If the Clearing Member corrects any Clearing Member Reports, it shall also notify the Clearing House. The Clearing House shall be entitled to use any such data for the purposes of future Clearing Member Reports but shall not be at fault if it fails to do so.

12.5.3 The Clearing Member remains responsible for the reporting of the Clearing Member Counterparty Data and the Clearing Member Common Data relating to each Contract in accordance with EMIR. The Clearing House shall be entitled to rely on the data in the Clearing System and any data received by the Clearing House from the Clearing Member for the purposes of making the Clearing Member reports.

12.6 Miscellaneous

12.6.1 The Clearing Member acknowledges that the Clearing House is obliged to comply with the TR Rulebook in relation to its obligation pursuant to Rule 12.1.2.

12.6.2 The Clearing Member acknowledges that the Clearing House may report to the Trade Repository:

(a) The Clearing Member Counterparty Data and the Clearing Member Common Data relating to a Transaction or Corresponding Transaction on behalf of the Clearing Member subject to the Clearing House's terms and conditions for such service; and/or

(b) the Client's counterparty data and the common data relating to the conclusion, modification and termination of each Transaction and Corresponding Transaction to the Trade Repository on behalf of the Client subject to the Clearing House's terms and conditions for such service,

in which case, the Clearing Member consents to the disclosure of information about itself as counterparty to the Client and the common data relating to the Transaction or Corresponding Transaction to the Trade Repository.

12.7 OSC regulatory reporting by the Clearing House

12.7.1 The Clearing House is exempted from recognition by the Ontario Securities Commission (OSC) for operation in Ontario, Canada. As an exempt clearing agency, the Clearing House is required by the applicable rules of the OSC (the **OSC Rules**) to report to an OSC designated trade repository certain data in respect of each Transaction and any Corresponding Transaction where such transaction:

(a) is submitted by a Clearing Member for clearing;

(b) relates to any derivative contract which is reportable under the OSC Rules; and

(c) is reportable by the Clearing House under the OSC Rules on the basis that it relates to a “local counterparty” within the meaning of such rules, which for the avoidance of doubt may include either the relevant Clearing Member or the Client relating to such transaction.

12.7.2 Where a transaction is submitted for clearing and the Clearing House is required to make a report as described under Rule 12.7.1 and under the OSC Rules, the Clearing Member and any relevant Client shall be deemed to agree and acknowledge that the Clearing House shall make any such reports required by the OSC Rules to the Canadian Trade Repository.

CME CLEARING EUROPE LIMITED - SUPPLEMENT S-1 — EXHIBIT B

Request:

Attach, as Exhibit B, the following, separately labelling each description:

(1) A description of the categories of membership and participation in the clearing organization and the access and clearing privileges provided to each by the clearing organization.

(2) A description of all requirements for each category of membership and participation and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the clearing organization confirms compliance with such requirements.

(ii) Authorization, Licensure and Registration. A description of any regulatory or self-regulatory authorization, licensure or registration requirements that the clearing organization imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the clearing organization, and a description of the process by which the clearing organization confirms compliance with such requirements.

(iii) Financial Integrity. A description of the following:

(A) The financial resource requirements, standards, guides or thresholds required of members and other participants.

(B) The manner in which the clearing organization evaluates the financial resources/holdings of its members or other participants.

(C) The process by which applicants for clearing membership or participation demonstrate compliance with financial requirements including:

(1) Working capital and collateral requirements, and

(2) Risk management mechanisms.

(iv) Fit and Proper Standards. A description of any other ways in which the clearing organization ensures that potential members/other participants meet fit and proper standards.

Response:

Categories of Membership

Clearing Members are direct participants in the clearing system (*Rules 3.1.5 and 3A1.2(a)*), while customers of Clearing Members ("Clients"), and their non-Clearing Member affiliates, are indirect participants. In addition, in relation to the clearing of exchange-traded derivatives, Clients also include Trading (or non-Clearing) Members of the exchange. The membership requirements enable Clearing Member firms to elect to clear: (i) only their own account (proprietary business); (ii) only Client accounts (brokerage business); or (iii) both. Clearing Member status is not limited to specific types of financial institutions. A firm that chooses to be an indirect participant (i.e., a Client of a Clearing Member) may itself be eligible under the membership requirements to obtain Clearing Membership of CMECE. Also, there are no shareholding requirements as a condition of participation in clearing with CMECE; Clearing Members do not have any ownership interest in CMECE.

CMECE has two product-categories of Clearing Membership: Standard Clearing Members and IRS Clearing Members, though a Clearing Member may belong to both categories (Rule 3.1.2). The core membership requirements in each category are risk related and are the same for all Clearing Members in that category. However, the specific requirements for the clearing of OTC commodity derivatives and exchange-traded derivatives differ in some respects from those requirements applicable for the clearing of interest-rate swaps (described further below).[1]

Membership Requirements

CMECE's Clearing Membership requirements are objective, transparent and non-discriminatory. The requirements are contained in the CMECE Rulebook ("Rulebook"), which is available on the CMECE website at the following link: http://www.cmegroup.com/europe/clearing-europe/membership/files/CMECE-Rulebook.pdf. Each requirement is designed to address risks that must be managed by CMECE as a CCP to ensure the safety and efficiency of its markets. As described below, there are core membership requirements, which must be met by members on an on-going basis, and also special, higher or supplement requirements that can be applied by CMECE on the basis of risk assessment.

[1] While Client account business is afforded specific, protective treatment under CMECE's Default Rules, CMECE does not routinely enter into contractual relationships with Clients of its Clearing Members, with the exception of certain limited arrangements under the CMECE Client Protection Agreement which provides certain Clients with additional rights in the event of the failure of their Clearing Member.

Rule 3.2.1 states that to become, and remain, a Clearing Member a person must at all times:

(i) be incorporated as a body corporate, partnership or other business organisation or entity in any jurisdiction;

(ii) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority required to enter into and clear through the Clearing House Transactions, including, where relevant, Transactions with or on behalf of Clients and Third Party Trade Delegates;

(iii) comply with all Applicable Law and the requirements of each Regulatory Authority which has jurisdiction over the Clearing Member in the course of using the facilities provided by the Clearing House;

(iv) be subject to Applicable Law relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on its Clients;

(v) not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which it is, or is likely to be, unable to discharge any obligation to the Clearing House;

(vi) comply with all regulatory capital requirements applicable to it;

(vii) maintain capital of at least the type and amount set out in the Membership Procedure;

(viii) in the case of a Standard Clearing Member, have provided to the Clearing House its Contribution to the Standard Guarantee Fund and, in the case of an IRS Clearing Member, have provided to the Clearing House its Contribution to the IRS Guarantee Fund, in each case in accordance with the Rules and the Membership Procedure;

(ix) have provided to the Clearing House sufficient Eligible Assets to satisfy its Collateral Requirement in accordance with the Rules;

(x) have the Bank Accounts set out in Rule 4.2.2, and, if relevant, the accounts with the Agent Bank and the CLS Account set out in Rule 4.2.3;

(xi) be party to an executed Clearing Membership Agreement and such other agreements as set out in the Membership Procedure;

(xii) have nominated a Representative to be responsible for the Clearing Member's actions and represent the Clearing Member before the Clearing House and its Committees (a Nominee);

(xiii) have nominated a Representative to be the Clearing House's key contact person and to register such of its and its Clients' Representatives as will be permitted to submit Transactions to the Clearing House (the Transaction Manager);

(xiv) ensure that a Representative, who is sufficiently senior and familiar with the Rules and the Clearing Member's activities in relation to the Clearing House, is available to deal with any query or issue raised by the Clearing House;

(xv) with respect to an IRS Clearing Member only:

(a) have nominated at least two officers or employees to be members of the IRS Default Management Committee, one of which may be required to serve on the IRS Active Default Committee; and at any time, in accordance with its terms of reference, provided that, if two (2) IRS Clearing Members are Affiliated Clearing Members, this Rule 3.2.1(o)(i) need only be satisfied by one (1) of those IRS Clearing Members; and

(b) upon request of the Clearing House, submit nominations for an independent member of the IRS Risk Committee;

(xvi) not have been, or have any senior Representative (in director position or above) who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of public justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, market abuse or insider dealing or be, or have any senior Representative (in director position or above) who is, under investigation for committing such an offence, if, in each case, such circumstance has or would be likely to have an adverse effect on the Clearing Member's ability to comply with the Rules;

(xvii) satisfy the Clearing House as to its fitness and propriety, financial, operational, technical and risk management capacity and competence and have such personnel, facilities and organisational arrangements to be able to satisfy its obligations under the Rules;

(xviii) satisfy the Clearing House that it has in place adequate written anti-money laundering, risk management and disaster recovery, business continuity, record keeping and reporting policies and procedures to ensure that it is able to perform its obligations under the Rules;

(xix) with respect to its interactions with the Clearing House, shall not enter into any Contract, provide any Collateral, use the Clearing Services or access the Clearing Services on behalf of, or for the ultimate benefit of, parties subject to restrictions administered or imposed by the European Union, HM Treasury, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United Nations Security Council, any other Regulatory Authority or any other government entity or regulatory authority with jurisdiction over the Clearing Member, and shall not be prohibited from entering into any Contract, providing any Collateral, using the Clearing Services or accessing the Clearing Services as a result of any sanctions administered or imposed by the European Union, HM Treasury, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United National Security Council, any other Regulatory Authority or any other government entity or regulatory authority which has jurisdiction over the Contract;

(xx) be engaged in or demonstrate immediate capacity to engage in the conduct of a Clearing Member in respect of the Transactions to be cleared and the performance of all the obligations of a Clearing Member set out in the Rules;

(xxi) have available to the Clearing House for inspection, upon reasonable request by the Clearing House, its books and records regarding Transactions cleared by the Clearing House;

(xxii) demonstrate that it is in compliance with the Rules;

(xxiii) satisfy any further requirements which the Clearing House may reasonably impose on a Clearing Member from time to time; and

(xxiv) with respect to a Standard Clearing Member clearing Exchange Transactions, have been accepted as and remain a member of the Exchange.

Rules 3,2,1 (iii) to (v) also apply to each of the Clearing Member's Parent Undertaking[2] and Guarantors (Rule 3.2.2).

[2] "Parent Undertaking" has the meaning given in section 1162 of the Companies Act 2006.

Professional Qualification

CMECE has Clearing Membership requirements that apply to professional qualifications and required competencies for both Standard and IRS Clearing Members. (Firms wishing to clear both product-categories must fulfill both sets of requirements.) Some of these key requirements, and the risks that the requirements seek to address, are identified in the table below:

Requirement	Generic	IRS	Risk focus of requirement
Operational and technical capacity to act as Clearing Member (*Rule 3.2(q) & Procedure 10.1 for IRS market experience etc.)*	Yes	N/A	Avoidance of difficulties with member's fulfillment of routine operational requirements
Adequacy of disaster recovery and business continuity arrangements (*Procedures 9.1 & 9.2*)[3]	Yes	N/A	As above, in exceptional cases where business recovery is necessary
Risk management competence (*Rule 3.2(q) & Procedure 10.2 for IRS risk management capabilities)*	Yes	N/A	Ability of firm to manage proprietary and client risks and in relation to IRS also its ability to participate fully in CMECE's default management arrangements
Participation in default management arrangements (*Procedures 10.2*)	No, IRS only	Commitments to participate in default management exercises, default management group and default auction	Reduction of default management risk by enlisting trading and risk management expertise of IRS Clearing Members and incentivisation of their

[3] Clearing Members must maintain adequate and tested disaster recovery and business continuity policies and procedures (CMECE Clearing Procedure 9.1). This reinforces regulatory requirements as well as a Clearing Member firm's best practice. In addition, CMECE requires that Clearing Members must participate in disaster recovery tests with CMECE on an annual basis (CMECE Clearing Procedure 9.2).

			bidding competitively for defaulter's portfolio
Written client agreements obligatory for broker-Clearing Members (*Rule 3A 1.2*)	Yes	N/A	Clarity of broker-client arrangements ; avoidance of potential legal risk for CMECE
Provision of financial and regulatory returns to CMECE (*Procedures 7-8*)	Yes	N/A	Input to credit risk management by CMECE

Authorization, Licensure and Registration

CMECE Clearing Members must, as a condition of membership, have obtained regulatory authorizations for all aspects of their business requiring authorization. Regulatory capital requirements, risk management standards covering liquidity needs, credit policies and market risk models, and conduct of business requirements are imposed on Clearing Members under the relevant regulatory regimes applicable to that Clearing Member, in line with local requirements and international regulatory standards and overseen by their relevant regulatory authorities. Further, many of the Clearing Membership requirements in the CMECE Rulebook reinforce regulatory requirements that are directly binding on Clearing Members, such as the requirements that Clearing Members must maintain robust business recovery plans and facilities and rigorous anti-money-laundering procedures.

Financial Integrity

CMECE also has Clearing Membership requirements that apply to financial integrity for both Standard and IRS Clearing Members. (Firms wishing to clear both product-categories must fulfill both sets of requirements.) Some key financial membership requirements, and the risks that the requirements seek to address, are identified in the table below:

Requirement	Generic	OTC and ETD	IRS	Risk focus of requirement
Minimum capital (Tier 1 regulatory capital definition or	No	£10mn	€350mn or if higher capital equal to 20% of IRS collateral requirement ;	Base level of capital adequacy for membership. Note that the minimum capital

equivalent) (*Procedure 2.3*)			banks must also meet a Total Risk-Based capital ratio of at least 10%	requirements are not additional to the regulatory capital requirements of Clearing Members
Minimum contribution to guarantee funds (*Procedure 6.1*)	No	Standard Clearing Member's Contribution is the higher of: (a) USD 500,000 if the Standard Clearing Member only clears Contracts which have a commodity as the underlying asset; (b) USD 1.5 million if the Standard Clearing Member only clears Contracts which have a currency/currencies as the underlying asset (such Contracts can be either or both Exchange Contracts and Contracts which are not	€10mn	Establishment of robust default resources; incentivisation of membership to support prudent risk policies

		Exchange Contracts); or (c) USD 2 million if the Standard Clearing Member clears both Contracts which have a commodity as the underlying asset and Contracts which have a currency/currencies as the underlying asset.		
Minimum credit assessment score from CMECE (*Procedure 4.6*)	Yes	N/A	N/A	Counterparty quality/reduction in credit risk of membership

Also, the CMECE Rulebook sets out the principal-to-principal legal basis of its relationship with Clearing Members (see (*Rule 3.1.5* for further details), in which Clearing Members are fully and legally responsible for the obligations of their Clients under the CMECE Rulebook in respect of all client account registrations at CMECE. CMECE believes that the principal-to-principal structure acts as an incentive to Clearing Members to manage their client risks appropriately. It is, accordingly, the primary responsibility of Clearing Members to protect themselves adequately against the risks of Client non-performance and failure. This responsibility is reinforced by regulatory requirements for credit risk modelling and capital cushions in respect of exposures to clients.

One of the most significant requirements on Clearing Members are the collateral requirements of Clearing Membership, which include not only the provision of initial margin and the payment of variation margin but also of contributions to the guarantee funds of CMECE. The collateral requirements of membership increase with the market risk inherent in the positions registered by each Clearing Member, and if the risk-composition of the positions of two Clearing Members is identical then, ceterus paribus, their collateral requirements would also be identical as the risk

management systems of CMECE operate on a rule-based and non-discriminatory model.

Fit and Proper Standards

CMECE Rule 3.2(q) requires applicants for Clearing Membership to satisfy CMECE of "their fitness and propriety, financial, operational and technical and risk management capacity and competence and have such personnel, facilities and organisational arrangements to be able to satisfy its obligations under the Rules." CMECE staff assess whether applicants meet this requirement before considering any application from a prospective Clearing Member. As with all membership requirements, satisfaction of this condition is an ongoing obligation for all Clearing Members and subject to continual review by CMECE.

Discretionary Requirements

The Rulebook also permits CMECE to apply certain additional requirements to those set out above to certain Clearing Members on the basis of a risk assessment. These discretionary requirements may be applied if a Clearing Member or prospective Clearing Members are viewed as representing heightened or unacceptable risks to CMECE. They include requirements to:

i. require a Clearing Member to increase its capital;
ii. increase a Clearing Member's Collateral Requirement;
iii. require a Clearing Member to decrease the size or volume of its Contracts;
iv. prohibit a Clearing Member from entering into any new Contracts;
v. require a Clearing Member to cease to take any action in respect of the Contracts to which it is party save as directed by the Clearing House;
vi. transfer, which may include closing out and reopening Contracts, to another Clearing Member or Clearing Members some or all of its Contracts or Collateral (ensuring that such Contracts and/or Collateral recorded in a Client Account remain recorded in a Client Account of the same type) provided that such other Clearing Member(s) gives it prior consent to the relevant Contracts and Collateral being transferred to it;
vii. suspend a Clearing Member in accordance with Rule 3.9;
viii. impose additional accounting, reporting and other financial and/or operational requirements on a Clearing Member;
ix. close out or settle Contracts of a Clearing Member;
x. invoice Back any Contract provided there is an objective justification;
xi. notwithstanding Rules 2.2.12 to 2.2.14, amend the Rules to the extent it reasonably considers necessary for the purpose of mitigating a significant risk to the Clearing House (including by mitigating a significant risk to a Clearing Member); and/or

xii. issue such other instructions and impose such other requirements and prohibitions as it considers appropriate to protect the integrity of the Clearing House or avoid the introduction of uncertainty, volatility or risk in the financial markets.

Compliance with Membership Requirements

Membership Application Process

Applicants for membership are required to complete application forms and provide information to CMECE in order to assess the application and the firm's satisfaction of the membership requirements. CMECE risk and membership staff are available to supply explanations and further information to applicants. Applicants are visited at their places of business by CMECE

risk and operations staff as part of the application process for the purposes of conducting an assessment of the risk expertise and operational capacity and clearing experience of the applicant firm. When the applicant has completed the application forms, supplied all the required information and been assessed, CMECE risk staff prepare a summary of the applicant and a recommendation for the relevant CMECE Risk Committee. CMECE also conducts an assessment and analysis of legal risks and considerations in relation to the application for Clearing Membership received from the Clearing Member. In particular, CMECE may seek specific additional legal advice if the Clearing Member applicant is incorporated outside the UK in a jurisdiction not currently represented in the membership, or if its legal form is not represented in the membership. The CMECE Risk Committees have the authority to request further information before coming to a recommendation or to recommend that the applicant be accepted subject to meeting one or more additional criteria from the outset of its membership. The chairman of the relevant CMECE Risk Committee then presents the recommendation of the committee to the Board for its consideration and approval.

Ongoing Monitoring

CMECE's membership requirements are broad in scope and the continuous monitoring of members' adherence to them is undertaken by different units within CMECE. CMECE Risk staff monitor compliance with the capital requirements imposed on Clearing Members under the membership requirements, on the basis of regulatory and other returns supplied by Clearing Members. The CMECE banking and collateral team, which has full visibility of the collateral balances of Clearing Members and tracks the receipt of cash to satisfy uncovered liabilities as well as the transfer of non-cash collateral, monitors adherence to the collateral requirements.

Clearing Members are also subject to a range of notification requirements which supplement the returns and financial statements. For example, under Rule 3.4.1(a), Clearing Members are required to notify CMECE if they are in breach of any of the membership requirements. CMECE also supplements the information obtained from Clearing Members with other published data and the results of its own analysis of exposures and of contact, including visits, with the Clearing Membership. CMECE undertakes credit analysis by conducting credit assessments of all Clearing Members on a periodic basis, and maintaining a watch-list of those deemed to be declining in creditworthiness.

Monitoring Client Risk

CMECE is able to assess and address Client risk. First, the Rulebook requires Clearing Members to establish margin requirements equal to or higher than the CMECE margin requirements imposed by CMECE on Clearing Members (see Rule 3A 1.3(c)); and to assure themselves that they are not over-exposed to client failure and can continue to meet their requirements to CMECE in all circumstances and at all times.

Second, the Rulebook provides CMECE with the power to require information in relation to Clients (Rules 3A1.3(a), 3A1.4, 3A5.1) on a daily basis, and additionally to require large exposure information that extends beyond business cleared at CMECE (Rule 3.4.3). CMECE also has additional powers under the Rulebook to require additional information supporting the reliability of the Client information and to audit a Clearing Member in order to verify or require additional information or assess risks (Rule 3.6).

Third, CMECE systems allow credit limits to be established for individual Clients, and monitors the risks presented by indirect participants through real time monitoring of Clearing Member positions. Real time monitoring includes the monitoring of accounts carried by the Clearing Member that have significant risks arising from concentration of positions, breadth of positions, and concentrations of deliverable supply.

Fourth, under the Rulebook, margining and re-valuation are undertaken at account level. This ensures that adequate risk-based margin, on the basis of observance of CMECE's margining policies, is held for each account. In turn, the purpose and result of this margining procedure is that CMECE independently maintains adequate margin at the level of each Clearing Member house and Client account and therefore should have the protection (in terms of margin) that it has identified as necessary.

Fifth, CMECE conducts routine risk management assessment of each Clearing Member's vulnerability to Client risk. On the basis of the information available, CMECE risk staff monitor the margin requirements and evolving value and cash flow requirements of the Client business recorded in the client accounts of each Clearing Member. The CMECE risk systems allow analysis and reporting of the exposures of individual Clients relative to: (i) total Client exposures; (ii) the aggregate omnibus account exposure in the case of Clients whose business is handled in that account; and (iii) the total house and Client business of the Clearing Member. CMECE staff analyze this information relative to the initial margin and guarantee fund balances of the Clearing Member and the Clearing Member's capital resources, assessed based on the financial and regulatory return information provided by the Clearing Member.

Should concerns remain within CMECE risk management, the Rulebook confers powers on CMECE to take further actions, which range from making an information request to the regulator of a Clearing Member (Rule 3.3.2), the right to request additional information (Rule 3A1.3(a)), the right to request additional margin requirements be placed on the account relating to the Client or Clients (see Rule 3A1.3(b)), and the right to instruct that new Client business be curtailed or that credit limits be reduced to zero in relation to a particular Client (see Rule 3A1.8). The ultimate action available to CMECE would be to instruct that the business be transferred to another Clearing Member (see Rule 3.7(e)).

Actions Available to CMECE

CMECE has a contractual right under the Rulebook to audit its Clearing Members (Rule 3.6), and its risk staff, assisted by the audit team of CME Group, checks financial returns to monitor members' financial soundness.

In the event that a Clearing Member no longer fulfills certain membership requirements but continues to meet its collateral requirements,[4] CMECE has the power to initiate the termination of membership provisions, as set out in Article 3.8 of its Rulebook. In such circumstances the special rights available under Article 3.7, described above in the summary description, may be applied to reduce risk.

CMECE also has the power to suspend a Clearing Member (Rules 3.7.1(g) and 3.9) for a breach of the Rulebook and membership requirements. Suspension means that the Clearing Member loses the right to register new transactions, but must remain compliant with all membership requirements and follow any instructions deemed appropriate by CMECE (Rule 3.9). Suspension may be invoked by the management of CMECE, which may, but is not obliged to, consult the CMECE Risk Committee prior to making such a determination. CMECE management has the option of referring any breach of the Rulebook requirements to a Disciplinary Panel, which has the power to recommend suspension (Rule 9.4.16(e)). A suspended Clearing Member has the right to appeal the decision (see Rule 9.5) and if the grounds for appeal are judged to be correct an independent panel of experts selected by the Centre for Effective Dispute Resolution will consider the appeal and issue a judgment binding on both parties (Rule 9.5.4).

[4] Non-receipt of the required collateral is likely to result in the declaration of default under the Default Rules rather than the invocation of the termination of membership provisions, although termination of membership automatically follows default declaration.

SUPPLEMENT S-1 – EXHIBIT E

Request:

With respect to each relevant regulatory regime or authority governing the clearing organization, attach, as Exhibit E, the following:

(1) A description of the regulatory regime/authority's structure, resources, staff and scope of authority.

(2) The regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the clearing organization.

(3) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the clearing organization.

(ii) The financial resource requirements applicable to the authorization, licensure or registration of the clearing organization and the continued operations thereof.

(iii) The regulatory regime/authority's program for the ongoing supervision and oversight of the clearing organization and the enforcement of its clearing rules.

(iv) The extent to which the current RCCPs are used or applied by the regulatory regime/authority in its supervision and oversight of the clearing organization or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the clearing systems for compliance therewith.

(v) The extent to which the regulatory regime/authority reviews and/or approves the rules of the clearing organization prior to their implementation.

(vi) The regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, sanction, and enforce rules applicable to the clearing organization.

(vii) The financial protection afforded customer funds.

Response:

I. Bank of England's Structure, Resources, Staff

The Bank of England ("BoE" or "Bank") is the CMECE's primary regulator (also known as 'competent authority'). Founded in 1694, the BoE is the central bank of the United Kingdom, with over 2000 employees, and a mission to "maintain monetary and financial stability" in the UK. In 1997, Parliament voted to give the Bank operational independence with a clear remit to pursue price stability. Then, in 2012, the Financial Services Act significantly broadened the bank's authority by establishing an independent Financial Policy Committee ("FPC"); forming the Prudential Regulatory Authority (PRA), a new prudential regulator as a subsidiary of the Bank; and creating new responsibilities for the supervision of financial market infrastructures ("FMIs"). The FMIs under BoE's purview are: (i) Recognised Payment Systems; (ii) Designated Systems Under Settlement Finality Regulations ; and (iii) Central Counterparties ("CCPs").[1] CMECE is recognized as both a CCP and a Designated System.

As the UK central bank, with insight into, and oversight of, a broad spectrum of the UK economy, the BoE has considerable resources and expertise at its disposal. Specifically, regarding its oversight of FMIs, BoE has a Director of FMI Supervision, who reports to the Executive Director of Financial Stability, who reports to the Deputy Governor of Financial Stability, who, in turn, reports to the Governor. In its supervision of financial market infrastructure the Bank also works closely with the Financial Conduct Authority ("FCA"), as outlined in a Memorandum of Understanding between the Bank, FCA and Prudential Regulation Authority ("PRA") for supervision of markets and market infrastructure. The Bank also works closely with overseas authorities which have an interest in UK-based systems that support global markets.[2]

Regarding funding, the Bank is able to charge fees to FMIs to cover the costs of its supervision. Also, the Bank normally requires supervised institutions to cover the cost of any reports that the Bank considers it necessary to commission from external experts, either directly or by refunding costs incurred by the Bank. The Bank may also seek to recover some other exceptional costs, for example if it were necessary to appoint a specialist inspector under s193 of the Banking Act 2009 in relation to a recognised payment system.[3]

II. Source and Scope of Bank of England's Authority

As noted above, the CMECE is both a CCP and Designated System, both of which were brought under the Bank's authority by the Financial Services Act (2012). CCPs and Designated Systems are regulated under Part 18 of the Financial Services and Markets Act 2000 (FSMA), and are subject to the UK 'recognition requirements' as Recognised Clearing Houses (RCHs). In order to be "recognised," RCHs must comply with the recognition requirements laid down in the

[1] See BoE's website at http://www.bankofengland.co.uk/Pages/home.aspx.
[2] *Id*.
[3] Section 7 of the "The Bank of England's approach to the supervision of financial market infrastructures" April 2013 ("Supervisory Guidance"), *available at*

http://www.bankofengland.co.uk/financialstability/Pages/fmis/supervisory_app/supervisoryapproach.aspx.

Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001. Designated Systems must comply with the Settlement Finality Regulations. As noted below, the Bank has broad supervisory authority over the FMIs to gather information, direct actions, and impose sanctions and penalties. Bank supervision is also guided by the requirements of EMIR and the CPSS-IOSCO Principles.

III. Description of Laws, Rules and Regulations

A. Authorization, licensure or registration

The CMECE Board recognizes that the legal basis for its activities is of critical importance and accordingly the Board assigns a high priority to legal certainty and risk analysis. CMECE's evaluation of the legal basis for its core activities focuses on jurisdictions that may have an impact on the credit or liquidity risks that CMECE faces, including custody risks with respect to the location of the collateral held by CMECE, and operational risks associated with CMECE's daily operations and resolution of a Clearing Member default in a crisis situation. Credit, liquidity and custody risks may depend in turn on the jurisdictions that govern the activities of CMECE Clearing Members, settlement banks and custodian banks, CSDs and Securities Settlement Systems.

Regulatory authorization and permissions in UK and EU

English law is the governing law for the majority of CMECE's operations. English law provides a source of legal certainty in relation to the activities and risks identified by CMECE in relation to its clearing operations. The relevant English law and EU legal framework consists of the following key pieces of legislation and sources of rules relevant to the clearing activities of CMECE: (i) FSMA; (ii) the Financial Services Act 2012; (iii) European Market Infrastructure Regulation (EMIR) and the relevant EMIR implementing regulatory and technical standards; (iv) the UK Insolvency Act 1986; (v) UK's Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (FMIR); (vi) the UK Companies Acts 1986, 1989 and 2006; (vii) the Banking Act 2009; and (viii) the CMECE Rulebook and related policies and procedures, including the Clearing Procedures; and (ix) the recognition order issued by the HM Treasury conferring CMECE with RCH status under FSMA in December 2010.[4]

In order to provide clearing services in the UK, a CCP must have the requisite regulatory authorization and permissions under applicable UK and EU law. CMECE received regulatory authorization to provide clearing services in December 2010 from the FSA following the granting of a recognition order by HM Treasury conferring CMECE with RCH status under FSMA. The FSA has since been disbanded as part of a broad re-organization of regulatory and

[4] All references to legislation are to such legislation as currently in force and as amended from time to time.

supervisory duties in the UK, and the BoE has assumed responsibility for the supervision of CMECE and other RCHs in the UK under FSMA. Supervision of clearing houses is undertaken at the BoE alongside the supervision of other financial institutions, securities depositories and payment systems.

EMIR came into force in August 2012 and the EMIR implementing regulatory and technical standards to support it came into force on 15 March 2013. EMIR and the regulatory and technical standards are directly applicable in the UK and the UK has not been required to implement the relevant legislation as a result. UK-incorporated RCHs that constitute CCPs for the purposes of EMIR are required to satisfy the provisions of EMIR and the relevant EMIR implementing regulatory and technical standards, together with any additional domestic requirements, in order to achieve and maintain authorization under EMIR. As a result, following the entry into force of EMIR, all clearing houses in the EU (including UK RCHs such as CMECE) have been required to seek 're-authorization' as a CCP under EMIR, and their supervisory oversight will thereafter switch to an arrangement under which lead supervisory responsibilities are undertaken by the main home country authority in conjunction with a college of regulators drawn from national authorities across the EU.

In each case, the college of the relevant CCP will include: (i) the European Securities and Markets Authority ("ESMA"); (ii) the CCP's competent authority; (ii) the competent authorities responsible for the supervision of the Clearing Members of the CCP that are established in the three Member States with the largest contributions to the default fund of the CCP; (iii) competent authorities responsible for the supervision of trading venues served by the CCP; (iv) competent authorities supervising CCPs with which interoperability arrangements have been established; (v) competent authorities supervising central securities depositories to which the CCP is linked; (vi) relevant members of the European System of Central Banks ("ESCB") responsible for the oversight of the CCP and other CCPs with which interoperability arrangements have been established; and (vii) the central banks of issue of the most relevant EU currencies in which financial instruments are cleared.

Each CCP is required to adopt rules that comply with the requirements of EMIR (and relevant national laws in the EU member state of incorporation) and is required to enforce those rules. The CMECE Rulebook sets forth the legal basis of CMECE's clearing and settlement activities; and the terms and conditions under which CMECE, CMECE Clearing Members and market participants operate in terms of submitting contracts for clearing, novation and clearing by CMECE and the eventual settlement of cleared contracts. Separate chapters in the CMECE Rulebook (the CMECE Contract Module) set forth the contract specifications of all contracts cleared by CMECE.

EMIR requires that CCPs are designated under the SFD. CMECE is a designated system under the UK's settlement finality regulations, the SFRs which implement the EU Settlement Finality Directive. The designation order was made in July 2012 and this means that CMECE benefit from the advantages of designation (helping to protect system rules within the CMECE Rulebook on the irrevocability of payments and protect the finality of settlement from challenge by insolvency practitioners).

CMECE's Rulebook includes specific settlement finality rules aligning with the SFD requirements for a designated system under the UK settlement finality regulations. The main focus of the rules is to specify when money payments made to and instructed by CMECE are binding and final, and similarly when movements of collateral to and from CMECE accounts are binding and final. CMECE's settlement finality rules provide additional protection and certainty in respect in respect of cash payment and security transfer settlements effected under the CMECE Rulebook.

Legal framework for contractual arrangements

The CMECE Rulebook and Clearing Membership agreements establish unique relationships between CMECE and each of its Clearing Members as principals, with respect to all cleared transactions, whether for house (proprietary) or client accounts, and related flows and stocks of cash and non-cash collateral. The adoption of this principal-to-principal structure follows external legal advice on the most secure basis for contractual relationships under English law.

The essence of the principal-to-principal structure is that CMECE looks to its Clearing Members to support all the positions they hold at CMECE and to continue to meet all performance obligations regardless of whether, if the positions are maintained for Clients in a broking relationship, underlying Clients have failed to meet their equivalent obligations to Clearing Members. The account structure as implemented by CMECE is fully consistent with EMIR and the recognition of client interests in positions held in client accounts, and collateral related to those accounts, insofar as there is a clear separation between house and client accounts and collateral, up to and including default actions. Under the provisions of the Default Rules within the CMECE Rulebook, CMECE has a formal obligation to respect that complete separation, in accordance with the requirements of EMIR and Part VII of the UK Companies Act 1989.

In addition to the CMECE Rulebook, which creates a contract between CMECE and its Clearing Members, under English law in respect of each cleared contract and the general obligations arising under the CMECE Rulebook between CMECE and its Clearing Members, CMECE relies upon legal agreements executed with financial institutions that serve as CMECE Settlement Banks and as custodians, including Central Securities Depositaries ("CSDs") and Securities Settlement Systems ("SSSs"), which are appointed by CMECE for the holding of assets relating

to Clearing Member or Client collateral or Guarantee Fund Contributions under the CMECE Rulebook.

CMECE's cash settlement agreements and physical settlement agreements are governed by English law. CMECE's custody agreements are governed by the relevant local law in which the custodian, CSD or SSS is based, as is standard practice in custodial arrangements. Where an arrangement involves third country parties or legal jurisdiction or governing law, a detailed legal assessment of any local law requirements is undertaken to ensure that CMECE's interest in any assets held in custody by a custodian, CSD or SSS is adequately protected from material damage under the relevant local law in those jurisdictions. On the basis of detailed legal advice and legal opinions from internal and external specialist counsel, the CMECE Board will review, question and approve (where appropriate) the extension of custodian or banking arrangements outside the UK.

Regulatory authorization and permissions in non-EU jurisdictions

While English law governs the CMECE Rulebook, CMECE deals with financial institutions across a range of jurisdictions, including Clearing Members, Clients, settlement banks, custodians, CSDs and SSSs. Prior to accepting a non-UK domiciled Clearing Member or contracting with a non-UK financial institution as a settlement bank, collateral custodian or party to any other contract that is material to CMECE's operations, CMECE conducts a thorough evaluation of the legal risks associated with doing so and secures legal opinions evaluating the enforceability of CMECE's legal and contractual rights and obligations vis-à-vis that counterparty. All legal agreements are subject to scrutiny by CME Group internal lawyers and external specialist counsel where required.

Where CMECE holds a regulatory authorization, license or permission from a third country jurisdiction, CMECE is permitted to offer certain services in accordance with the terms of such authorization, license or permission subject to all relevant local legal and compliance requirements in those jurisdictions. CMECE does not provide services in any jurisdiction without appropriate regulatory authorization.

The Ontario Securities Commission has issued an order to exempt CMECE from the requirement to be recognized as a clearing agency in subsection 21.2(0.1) of section 147 of the Securities Act (Ontario) (OSA). The exemption was granted on the basis that CMECE is subject to appropriate regulatory and oversight regime in the UK. This exemption allows CMECE to provide clearing services provided by clearing agencies in the state of Ontario, Canada. In support of its business expansion plans CMECE will apply to third country authorities for licenses to provide clearing services in those jurisdictions in due course. CMECE also ensures that the relevant provisions in the CMECE Rulebook are enforceable against Clearing Members and Settlement Banks.

B. Financial Resource Requirements

The Regulatory Technical Standards (RTS) under EMIR[5] set out the capital requirements for CCPs.

A CCP must hold capital, including retained earnings and reserves, which shall be at all times more than or equal to the sum of:

(a) the CCP's capital requirements for winding down or restructuring its activities;
(b) the CCP's capital requirements for operational and legal risks;
(c) the CCP's capital requirements for credit, counterparty and market risks;
(d) the CCP's capital requirements for business risk.

The components of (a)-(d) must be calculated in as prescribed by the RTS.

A CCP must have procedures in place to identify all sources of risks that may impact its ongoing functions and consider the likelihood of potential adverse effects on its revenues or expenses and its level of capital.

If the amount of capital held by a CCP is lower than 110 % of the capital requirements or lower than 110 % of EUR 7,5 million ('notification threshold'), the CCP shall immediately notify the competent authority in writing and keep it updated at least weekly, until the amount of capital held by the CCP returns above the notification threshold.

C. Ongoing supervision and oversight

As the competent authority responsible for carrying out the lead duties of supervision and oversight of CMECE under EMIR, the BoE is responsible for overseeing CMECE's compliance with the authorization requirements under EMIR. The supervision of CMECE by BoE takes the form of: (i) regular supervisory visits and dialogue with the CMECE regulatory compliance function, risk and operations staff and senior management; (ii) routine notification requirements covering financial resources, changes in key personnel and board directors; (iii) exceptional notifications in the event of any operational delays or difficulties and of steps taken and progress towards elimination of the source of delays and difficulties; (iv) transmission of all internal audit reports and all Board and committee minutes and papers; (v) prior notification and non-objection of any intended change in risk management practices; (vi) prior notification and non-objection of any extension of the product or market scope of clearing activity; (vii) prior notification and non-objection of all proposed changes to the CMECE default rules.

[5] COMMISSION DELEGATED REGULATION (EU) No 152/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical

standards on capital requirements for central counterparties

The Bank of England also conducts Supervisory Reviews at least annually, which concentrates on key areas of focus of the Bank of England. The Bank of England supervisors also independently meet CMECE's internal and external auditors each year without CMECE staff being present, and meet the INED representatives of the CMECE Board at least twice each year on the same basis. All CMECE Board members are subject to interview and clearance from the Bank of England before their appointments can be confirmed.

D. Adherence to PFMIs (successor standards to the RCCPs)

The Bank uses the Principles of Financial Market Infrastructures, successor standards to the RCCPs, to guide its review of FMIs, including CMECE. For instance, in its Supervisory Guidance,[6] BoE notes the following:

> The Principles for Financial Market Infrastructures published by CPSS-IOSCO in April 2012 form a key foundation stone for the Bank's supervisory approach. The UK regulatory framework, and requirements and rules set within it, will be consistent with the minimum standards in the Principles. They will go beyond the minimum standards if the Bank judges this necessary to address systemic risk.[7]

E. Review and/or approval of rules

Changes to the CMECE Rulebook rules are filed with the BoE for prior 'non-objection', and consultations relating to rule and procedural changes are also circulated among customers of CMECE through the publication of Clearing Advisory notices which are also available on the CMECE website.

F. Inspection, investigation and surveillance powers

As noted in section 6.1, of the BoE's Supervisory Guidance, BoE's supervisory powers include:

(i) Information gathering — The Bank has powers to gather information from RCHs, to support both its supervision and its financial stability work more generally.

(ii) Powers of direction — Where an institution is not complying with FSMA requirements, the Bank may direct the RCH to take actions that bring it back into compliance. In certain circumstances, the Bank may also direct a UK CCP to take, or refrain from taking, other specified action if the Bank is satisfied that it is necessary, for example to protect financial stability.

(iii) Sanctions, warning notices and appeals — The Bank has powers to enforce supervisory requirements including public censure, penalties and, ultimately, revoking recognition.[8]

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[6] "The Bank of England's approach to the supervision of financial market infrastructures" April 2013, *available at* http://www.bankofengland.co.uk/financialstability/Pages/fmis/supervisory_app/supervisoryapproach.aspx.
[7] *See* "Introduction" of the Supervisory Guidance, at 3.

[8] *Id*, at 14 (Section 6).

G. Customer Funds

CMECE's members' customer funds are subject to protections under the Financial Conduct Authority's Handbook. For instance, CASS 7.13.3 requires that "a firm, on receiving any client money, must promptly place this money into one or more accounts opened with any of the following:

(i) a central bank;
(ii) a CRD credit institution;
(iii)a bank authorised in a third country;
(iv)a qualifying money market fund.

Also, CASS 7.13.8 requires that if a firm does not deposit client money in a central bank, it must "exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or qualifying money market fund where the money is deposited and the arrangements for the holding of this money." CMECE establishes accounts to enable its clearing members to comply with these CASS provisions.

SUPPLEMENT S-1 — EXHIBIT F-1

Request:

Attach, as Exhibit F–1, the following:

> **A description of the clearing organization's regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities of staff.**

Response:

Several Staff support CMECE's regulatory and compliance function, including: (i) the Regulatory Compliance Officer ("RCO"); (ii) the Head of Internal Audit; and (iii) the Chief Risk Officer. Their qualifications and duties are described below.

Risk Management Officer and Staff

The RCO is responsible for: (i) developing and enforcing appropriate compliance policies and procedures for CMECE; (ii) reviewing CMECE's compliance with applicable regulatory requirements; (iii) communicating with regulatory authorities; and (iv) resolving conflicts of interest issues, and any non-compliance issues that may arise in connection with the activities of CMECE. To carry out those duties, the RCO engages in a number of activities, including: (i) preparing a report for the Board which reviews regulatory developments; (ii) attending all Board discussions about regulatory compliance and operational controls; (iii) reporting non-compliance incidents; and (iv) maintaining an issues log. The RCO also has a reporting line to CMECE's Audit Committee of the Board to ensure a degree of independence from the executive management of CMECE.

The RCO's staff ("Compliance Department"), which currently is composed of 1 person, continually monitors and reviews CMECE's compliance with regulatory requirements. CMECE is currently in the process of hiring an additional member of the Compliance department and it is anticipated that the number of staff in this department will be increased as the volume of business increases.

Head of Internal Audit and Staff

The Head of Internal Audit is responsible for assessing the observance and effectiveness of internal controls and procedures. The Head of Internal Audit is supported by CME Group Global Assurance (internal audit) staff, as well as external consultants from Deloitte and Grant Thornton to assist in conducting periodic or themed audits of internal controls within CMECE. The role of Head of Internal Audit is currently outsourced. The role is filled by an external consultant, employed by a professional services firm engaged to lead the internal audit function within CMECE. The Head of Internal Audit reports directly to the Chairman of the CMECE Audit Committee, which

regularly reviews and assesses the CMECE internal audit plan. The CEO has responsibility for monitoring critical outsourced service supply functions, including Internal Audit.

Head of Risk Management and Staff

The Chief Risk Officer is responsible on a day to day basis for implementing the risk management framework of CMECE. He is assisted by a Staff of 9 people. In addition to his role in implementing the risk management framework, the HChief Risk Officer is ultimately responsible for supervising CMECE employees engaged in credit and market risk management and makes recommendations concerning procedures, policies, and controls, to the CMECE Risk Committee. The Chief Risk Officer reports to the CEO and also has a direct reporting line to the Chairman of the CMECE Risk Committee to ensure sufficient independence from the executive management. The CMECE Chief Risk Officer is also present at all Board discussions of risk items.

Risk Management Framework

As noted above, the Chief Risk Officer implements the risk management framework. The CMECE risk management framework is comprised of a number of key elements:

(i) Risk management guidelines, procedures, and controls documented in the form of risk management policies, including policies which address credit risk, counterparty risk and reviews, liquidity risk, concentration risk, default risk and default management, market risk, model risk and operational risk. In addition, the CMECE Operational Risk Control Framework and internal operating procedures are used as a guide for policy and procedural implementation and oversight by CMECE staff;

(ii) A comprehensive Risk Assessment Framework document setting out all the CMECE internal risk policies, procedures and controls, together with details of responsibilities, governance and review of adequacy;

(iii) Delineation of the Executive Management's and Staff's responsibilities to operate the company on the basis of the established policies, procedures, and controls;

(iv) Delineation of the CMECE Risk Committees' responsibility for oversight and review of the continued adequacy of the risk management policies;

(v) Delineation of the responsibility of the Executive Management and the staff for reporting to the governance committees and the CMECE Board on any deviation from agreed policies and procedures and any control failures;

(vi) Board decisions on adjustments of policies, procedures and controls, on the basis of recommendations made to it by the Audit and Risk committees, the Internal Audit Function, the external auditors, the Regulatory Compliance Officer, or the Executive Management.

The CMECE risk management framework is dynamic and develops along with the growth of the product-range of CMECE cleared contracts. Changes may be driven by regulatory requirements, or modifications may be the result of internal changes requested to improve and adjust policies and controls and to account for changes in the range of clearing and contract specifications. All significant changes to policies are documented, agreed through formal governance arrangements and subject to regulatory review and sign-off.

SUPP S-1—EXHIBIT F-2

Request: Attach a description of the clearing organization's rules and how they are enforced, with reference to any rules provided as part of Exhibit A-5 that require the clearing organization to comply with one or more of the RCCPs.

Response:

CMECE's rules appear in its Clearing Rules ("Rulebook") (located at the following link: http://www.cmegroup.com/europe/clearing-europe/membership/files/CMECE-Rulebook.pdf.) and Clearing Procedures ("Procedures") (located at the following link: whttp://www.cmegroup.com/europe/clearing-europe/membership/files/CMECE-Clearing-procedures.pdf.) Among other things, the CMECE Rulebook sets out the contractual provisions and operational requirements that apply to both CMECE and Clearing Members with respect to: (i) Clearing Membership requirements; (ii) submission of transactions for clearing; (iii) the acceptance of transactions for clearing; (iv) daily and final settlements; (v) margin requirements; (vi) netting and offset; (vii) Guarantee Fund contributions; (viii) CMECE's right to the collateral it holds to margin positions and to guarantee performance of its Clearing Member's obligations to CMECE; (ix) default rules; and (x) related account segregation and porting requirements. The CMECE Rulebook also contains provisions relating to complaints and disciplinary matters in relation to behavior of CMECE or its Clearing Members in relation to clearing activity.

Clearing Members must agree to abide by the CMECE Rulebook and the Clearing Procedures. Further, CMECE has rules regarding the enforcement of its rules, which are described in Exhibit F-3.

CMECE's Rules are clearly stated, internally coherent, and readily accessible to participants and to the public on CMECE's website. Moreover, CMECE and CME Group staff are available to answer questions regarding the interpretation or application of specific rules. Changes to the CMECE Rulebook rules are filed with the BoE for prior non-objection, and consultations relating to rule and procedural changes are also circulated among customers of CMECE through the publication of Clearing Advisory notices, which are also available on the CMECE website. CMECE also provides to Clearing Members a Clearing House Manual of Operations, which contains detailed procedures for Clearing Members to follow with respect to all aspects of CMECE's clearing and settlement processes. In addition, CMECE publishes information with respect to all aspects of CMECE's clearing and settlement processes on its website.

The Rulebook covers all facets of the relationship between the clearing member and the clearing house, including the following: membership requirements (Chapter 3), rules relating to clearing for non-members (Chapter3a); rules relating to accounts and clearing procedures (Chapters 4 and 5); rules relating to collateral and the guarantee fund (Chapters 6 and 7); the default provisions (Chapter 8); enforcement of the clearing house rules (Chapter 9); settlement and contract performance (Chapters 10 and 11) and reporting (Chapter 12). The Clearing Procedures must be read in tandem with the Rulebook and provide additional specificity with respect to the requirements that apply.

I. SUPP S-1—EXHIBIT F-3

Request: Attach the following, to the extent not included in Exhibit F-2:

A description of the clearing organization's disciplinary rules, including but not limited to rules that address the following –

(1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any clearing participant pursuant to fair and clear standards.

(2) The issuance of warning letters and/or summary fines for specified rule violations.

(3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.

(4) Disciplinary committees of the clearing organization that take disciplinary action via formal disciplinary processes.

(5) Whether and how the clearing organization articulates its rationale for disciplinary decisions.

(6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as deterrents to future violations.

Response:

The CMECE's disciplinary rules, which are outlined in Chapter 9 of the Rulebook are objective, clearly defined, and fair; and provide Clearing Members, among other things, with adequate notice, the opportunity to respond to allegations, and the right to appeal decisions to an objective, fair arbiter.

Investigations

CMECE can initiate an investigation for breaches of its rules, regardless of how such allegations come to its attention, including by Clearing Member complaint (Rule 9.2.1).[1] Pursuant to Rule 9.3, CMECE follows the following process for investigations:

(i) Issues a notice of Investigation (Investigation Notice) to the Clearing Member concerned, noting that an Investigation has been commenced, and setting out a brief description of the matter under Investigation.

[1] Rule 9.1 notes, among other things, that if a Clearing Member Complaint alleges a breach of the CMECE's Rules, the Clearing House will open an investigation and may start Disciplinary Proceedings if deemed necessary. Further, if CMECE considers it appropriate, or is otherwise required to do so under Applicable Law, it may provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding. The procedure for Clearing Member complaints also

appears in the Complaints Procedure section of the CMECE Procedures, at 56.

(ii) Upon completion of investigation, CMECE sends to the relevant Clearing Member, a preliminary letter that describes its preliminary factual conclusions and the action it proposes to take.

(iii) CMECE must also invite the Clearing Member to either attend a meeting or to send written comments to correct any factual error that it reasonably considers has been made in the preliminary letter.

(iv) After the meeting or the receipt of written comments from the Clearing Member, the CMECE will finalize its initial findings and present them in writing to the Clearing Member.

(v) After sending its initial findings to the Clearing Member, the CMECE may exercise one or more of the following powers in relation to the Clearing Member concerned:

(a) subject to Rule 9.7, decide that no further action should be taken against the Clearing Member;

(b) issue a private written warning to the Clearing Member;

(c) instigate Disciplinary Proceedings in accordance with Rule 9.4;

(d) carry out further enquiries if the Investigation indicates that this is necessary in order to conclude satisfactorily the Investigation;

(e) refer all or a portion of the investigation to a Regulatory Authority; or

(f) publish, notwithstanding Rule 9.7 and subject to any objection by the Bank of England, details of the breach of the Rules on the Website.

(vi) CMECE must notify the Clearing Member, in writing, of which power it will exercise.

Clearing Member Cooperation

Under Rule 9.2.2 Clearing Members must cooperate with investigations, including:

(i) providing the CMECE with any necessary information, within a specified time frame;

(ii) permitting representatives of the CMECE access, with or without notice, during business hours to any of the Clearing Member's business premises;

(iii) making its representatives readily available for meetings with the CMECE staff conducting the investigation;

(iv) using its best endeavors to ensure such their staff answer truthfully, fully and promptly, all questions that are put to them;

(v) providing the CMECE staff with reasonable access to documents, records, files, tapes and computer systems which are within the Clearing Member's possession or control; and

(vi) printing information in the Clearing Member's possession or control which is held on computer, or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the CMECE staff conducting the Investigation.

Disciplinary Proceedings / Disciplinary Panels

Pursuant to Rule 9.4, the Board must nominate members of a Disciplinary Panel for each disciplinary proceeding. Each Disciplinary Panel must consist of three persons (including a Chairman) who are market practitioners, members of the Risk Committee, experts, lawyers or other suitable persons at the discretion of the Clearing House. The following, however, cannot serve on a Disciplinary Panel:

(i) employees or directors of CMECE;

(ii) a Clearing Member subject to disciplinary proceedings or any of their Affiliates, Representatives or customers;

(iii) a person with a personal or financial interest in, or has been involved in any investigation into, the matter under consideration.

(iv) a person for whom a business, with which he is associated, has any commercial relationship with any parties involved in the investigation that may cause actual or potential material conflict.[2]

(v) expert assessors may be appointed, at the discretion of the Disciplinary Panel itself, to sit with and advise the Disciplinary Panel but not to vote.

To commence the Disciplinary Proceedings, CMECE must send to the Clearing Member concerned a written notice (the Disciplinary Notice), which contains details of the alleged breach of the Rules and sufficient information to enable the Clearing Member to understand and respond to such allegations. The Clearing Member then has twenty Business Days from receipt of the Disciplinary Notice to provide a statement of defense ("Defence"). After due consideration of the Defence, the Clearing House may either:

(i) proceed with the Disciplinary Proceedings;

(ii) terminate the Disciplinary Proceedings; or

(iii) amend the Disciplinary Notice.

The Disciplinary Panel will hear submissions on the matter of the alleged breach of the Rules and determine whether there has been a breach of the Rules and, if so, the appropriate sanction that shall be imposed. To carry out its function, the Panel is empowered to:

(i) order the disclosure by CMECE or Clearing Member of such further information, documents or other evidence as may be necessary;

[2] In the event of any member of the Disciplinary Panel having or acquiring a personal, or financial interest in the outcome, or a commercial relationship, or in any other way being or becoming incapacitated or permanently unavailable, the chairman of the Disciplinary Panel (or in the case of the chairman of the Disciplinary Panel, the Chairman of the Board of Directors of the Clearing House) may direct that the Disciplinary Panel to continue to act with a reduced number, or appoint another person to take the place of the retiring member of the Disciplinary Panel, or = direct that a new Disciplinary Panel should be appointed to rehear the matter (Rule 9.4.4).

(ii) issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;

(iii) if it considers appropriate, but only with the express agreement of CMECE and the Clearing Member concerned, decide to determine the case upon written submissions and evidence placed before it;

(iv) in all other cases, give the opportunity to, or require, CMECE and the Clearing Member to attend hearings before the Disciplinary Panel, where the CMECE and the Clearing Member may call witnesses to give evidence and be questioned;

(v) allow the Clearing Member and CMECE to be assisted or represented by any person, whether or not legally qualified;

(vi) require hearings to be held in private unless the Clearing Member or CMECE requests otherwise and the other party consents; and

(vii) appoint its own legal advisers (Rule 9.4.12).

The Disciplinary Panel will then communicate in writing its findings and particulars of any sanction determined to CMECE and to the Clearing Member concerned.

Sanctions

Pursuant to Rule 9.4.16, a Disciplinary Panel is empowered to impose one or more of the following sanctions:

(i) issue a private written warning to the Clearing Member;

(ii) issue of a public notice of censure;

(iii) impose a fine of any amount;

(iv) require the disgorgement of any gain made by the Clearing Member or its Representatives in connection with the breach of the Rules;

(v) recommend that CMECE suspend or terminate the membership or membership of a particular Membership Category of the Clearing Member with immediate effect; or

(vi) issue an order requiring the Clearing Member to take such steps, including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Rules.

Appeals

In accordance with Rule 9.5, within ten Business Days of receiving notice in writing of a decision of a Disciplinary Panel or a notice of sanction – whichever is the later – a Clearing

Member may appeal to the appeals body (the Appeals Body). And CMECE must refer the

appeal to the Appeals Body within ten Business Days of receipt of the appeal. Pursuant to Rule 9.5.3, in the case of appeal against a sanction, the Appeals Body may affirm, vary or revoke the sanction; or order a re-hearing by a new Disciplinary Panel. 9.5.3.

In accordance with Rule 9.5.4, the Appeals Body must consist of one or more persons who are:

(i) independent of CMECE (i.e., never been an officer, director or employee of CMECE or an Affiliate);

(ii) have appropriate experience of the clearing market and normal clearing operations; and

(iii) have appropriate knowledge of the Clearing House, the Rules and relevant Applicable Law.

The members of the Appeal Body must be nominated by a third-party, the Centre for Effective Dispute Resolution in London.[3] The decision of an Appeals Body is final and binding and there is no further appeal.

[3] An arbitration and mediation entity. More information *available at* http://www.cedr.com/.

SUPP S-1—EXHIBIT F-4

Request: Attach, to the extent not provided in Exhibit F-2, a demonstration that the clearing organization is authorized by rule or contractual agreement to obtain, from members and other participants, any information and cooperation necessary to conduct investigations, to effectively enforce its rules, and to ensure compliance with the conditions of registration.

Response:

As noted in Exhibit F-3, under Rule 9.2.2 Clearing Members must cooperate with investigations, including:

(i) providing to the Clearing House such information in whatsoever form as the Clearing House may reasonably request, within the timescale specified;

(ii) permitting Representatives of the Clearing House access, with or without notice, during business hours to any of the Clearing Member's business premises in order to carry out the Investigation (which for the avoidance of doubt includes those premises in which records are stored);

(iii) making its Representatives readily available for meetings with the Representatives of the Clearing House conducting the Investigation, as the Clearing House may reasonably request, and using its best endeavors to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;

(iv) providing the Representatives of the Clearing House conducting the Investigation with reasonable access to documents, records, files, tapes and computer systems which are within the Clearing Member's possession or control and provide any facilities which such Representatives may reasonably request; and

(v) printing information in the Clearing Member‘s possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the Representatives of the Clearing House conducting the Investigation.

SUPP S-1—EXHIBIT G

Request: Attach the following:

(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

(i) To evaluate the continued eligibility of the foreign board of trade for registration.

(ii) To enforce compliance with the specified conditions of the registration.

(iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.

(iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.

(v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.

(2) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.

(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

Response:

Several arrangements govern the sharing of information between the Commission, the FCA, the BoE, CMEEL and CMECE:

(i) On September 25, 1991, the Commission, the Securities and Exchange Commission, the UK Department of Trade and Industry, and the UK Securities and Investments Board signed a Memorandum of Understanding, that covered the activities of "clearing organizations" and exchanges, in which they agreed to "provide the fullest possible measure of mutual assistance" regarding, among others things:

(a) "providing access to information in the files of the requested Authority";

(b) "questioning or taking the testimony of persons designated by the requesting Authority";

(c) "obtaining specified information and documents from persons";

(d) "conducting compliance inspections or examinations of Investment or Futures Businesses"; and

(e) "permitting the representatives of the requesting Authority to participate in the conduct of the enquiries made by the requested Authority …." [1]

(ii) On March 1996 (as amended March 1998), the Commission and the Financial Services Authority ("FSA") were both signatories to the **Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organizations** which allows, among other things, information sharing about Members, their Affiliates or firms or other persons with a substantial commercial relationship with the Member;[2]

(iii) In October 1997, the Commission and the FSA were both signatories to the **Tokyo Communique on Supervision of Commodity Futures Markets**, which in its **Guidance on Components of Market Surveillance and Information Sharing** noted among other things that the signatories should "cooperate to share information, in particular information on large exposures … [and that] to carry[] out the supervisory responsibilities of the relevant authority and as specified in the request for information."[3]

(iv) In November 2006, the Commission and the FSA were both signatories to the **Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information Related to Market Oversight**, in which they agreed that

[1] "Memorandum of Understanding on Mutual Assistance and the Exchange of Information Between the United States Securities and Exchange Commission and Commodity Futures Trading Commission and the United Kingdom Department of Trade and Industry and Securities a d Investments Board," available at http://www.bankofengland.co.uk/about/Pages/mous/international.aspx. In a May 9, 1994 letter, issued after certain governmental financial services were transferred to HM Treasury from DTI, HM Treasury issued a letter noting that the transfer "does not in any way detract from the intention of the UK authorities to cooperate fully with their US counterparts." Available at http://www.cftc.gov/International/MemorandaofUnderstanding/mouCooperativeEnforcement. The Bank of England lists this MoU as one of the international MoUs to which it assumed signatory status. http://www.bankofengland.co.uk/about/Pages/mous/international.aspx.

[2] http://www.cftc.gov/International/InternationalInitiatives/oia_bocadec0398; http://www.cftc.gov/opa/press98/opa4125-98.htm

[3] Available at http://www.cftc.gov/international/internationalinitiatives/index.htm

"each Authority intends to provide the other Authority the fullest cooperation in assisting with the identification of manipulative or abusive trading practice."[4]

(v) As amended May 2012, the Commission and the Financial Conduct Authority are both signatories to the **International Organization of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information** ("MMOU"), in which the authorities promise to provide one another with the "fullest mutual assistance possible to facilitate the performance of the functions with which they are entrusted within their respective jurisdictions" in regard to a number of entities including exchanges, and clearing and settlement entities.[5]

Please note that though several of these MoUs are signed by predecessor organizations, namely FSA, pursuant to the Financial Services Act 2012, the MoUs signed by the FSA continue in effect with the relevant successor UK authority, whether it be the Financial Conduct Authority, the Prudential Regulation Authority, or the Bank of England.[6] Thus, these broad information sharing arrangements, which are now in effect between the Commission and the Financial Conduct Authority (regarding CMEEL) and the Bank of England (regarding CME Clearing Europe Limited or CMECE) would allow the Commission, as needed, to carry out its duties, monitor and enforce compliance with conditions of registration, and respond to market abuse.

[4] http://www.cftc.gov/International/MemorandaofUnderstanding/index.htm

[5] *See* Attachment 34, IOSCO Multilateral Memorandum of Understanding Signatories, available at http://www.iosco.org/library/index.cfm?section=mou_siglist.

[6] In Schedule 20 "Transitional Provisions") of the Financial Services Act 2012, it notes that references to the Financial Conduct Authority in documents is to be read after the commencement of this act as a reference to the Financial Conduct Authority, or Prudential Regulation Authority, or Bank of England, respectively for the functions of the FSA that are now exercisable by these successor agencies, available at http://www.legislation.gov.uk/ukpga/2012/21/schedule/20/enacted.