

Table of Contents

Part 1	General Provisions_____	4
Part 2	Clearing Membership_____	81 <u>82</u>
Part 3	Financial Requirements and Payments_____	101 <u>103</u>
Part 4	Clearing Mechanism_____	111 <u>113</u>
Part 5	Margin_____	138 <u>140</u>
Part 6	Position Limits_____	148 <u>150</u>
Part 7	Settlement and Delivery of Futures_____	151 <u>153</u>
Part 8	Options_____	155 <u>157</u>
Part 9	Default Rules_____	161 <u>163</u>
Part 10	Disciplinary Proceedings_____	251 <u>254</u>
Part 11	Guaranty Funds_____	263 <u>267</u>
Part 12	Settlement Finality Regulations and Companies Act 1989_____	271 <u>274</u>
Part 13	[Not used]_____	287 <u>290</u>
Part 14	Transition Rules for ICE Energy Markets in 2008 [No longer applicable: available on request.]_____	287 <u>290</u>
Part 15	Credit Default Swaps_____	288 <u>291</u>
Part 16	FCM/BD Clearing Member Provisions_____	314 <u>317</u>
Part 17	Foreign Exchange_____	331 <u>333</u>
Part 18	Transition Rules for LIFFE in 2013_____	337 <u>339</u>
Part 19	Sponsored Principals_____	345 <u>347</u>
Part 20	Transition Rules for ICE Endex in 2013 [No longer applicable: available on request.]_____	359 <u>361</u>
Part 21	Transition Rules for LIFFE in 2014_____	360 <u>362</u>
Part 22	Launch Rules for ICE Endex UK and ICE Endex Continental in 2015 [No longer applicable: available on request.]_____	365 <u>367</u>

Part 23 Rules for Market transitions ~~365~~[367](#)

Exhibit 1: Customer-CM CDS Transaction Standard Terms

Exhibit 2: Customer-CM F&O Transaction Standard Terms

Exhibit 3: Customer-CM FX Transaction Standard Terms

Exhibit 4: Settlement and Notices Terms

The term "**Affiliated Person**" or "**Affiliate**" means, with respect to any specified Person, any other Person that Controls, is Controlled by, or is under common Control with, such specified Person.

The term "**Appeal Panel**" means the panel at which an appeal of a decision of a Disciplinary Panel is heard pursuant to Rule 1005.

The term "**Applicable Credit Derivatives Definitions**" means, in relation to any provisions of the Rules or the Contract Terms applicable to a CDS Non-2014 Contract or any Component Transaction in the form of a CDS Non-2014 Contract, the 2003 Credit Derivatives Definitions and, in relation to any provisions of the Rules or the Contract Terms applicable to a 2014-type CDS Contract or any Component Transaction in the form of a 2014-type CDS Contract, the 2014 Credit Derivatives Definitions.

The term "**Applicable Law**" means any applicable national, federal, supranational, state, regional, provincial, local or other statute, law, ordinance, regulation, rule, code, guidance, order, published practice or concession, regulatory requirement, judgment or decision of a Governmental Authority and any memorandum of understanding (or equivalent) between the Clearing House and one or more Governmental Authorities or between Governmental Authorities and, for the avoidance of doubt, includes all the provisions of EMIR, the FCA Rules, the PRA Rules, rules, regulations, guidance and approach documents of the Bank of England, the CEA, the rules and regulations of the CFTC, the Exchange Act, the rules and regulations of the SEC, the FSMR, FSRA Rules, any rules or regulations of any other Regulatory Authority and applicable Insolvency laws (including the U.S. Bankruptcy Code).

The term "**Approved Financial Institution**" means a credit institution, bank, trust company or other institution which is an "institution" as defined in the Settlement Finality Regulations and which has been designated as an approved financial institution by the Clearing House for purposes of making and receiving cash transfers to and from the Clearing House and Payment Transfer Orders.

The term "**Assessment Amount**" means an F&O Assessment Amount, a CDS Assessment Amount or an FX Assessment Amount.

The term "**Assessment Contribution**" means an F&O Assessment Contribution, a CDS Assessment Contribution or an FX Assessment Contribution.

~~The term "**Banking Consolidation Directive**" means Directive 2006/48/EC.~~

The term "**Bankruptcy**" means, in relation to a Person, where that Person: (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due or is granted suspension of payments; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it, by a Governmental Authority with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is

presented for its winding-up or liquidation by it or such Governmental Authority; (v) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (iv) above and either (1) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (2) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (vi) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vii) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (viii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (ix) causes or is subject to any event with respect to it which, under the Applicable Laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (viii) above; or (x) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts. For the purposes of this definition and for the avoidance of doubt, "Person", in the case of a CDS Clearing Member or Sponsored Principal in respect of CDS Clearing, includes any Office (as defined in the CDS Procedures) which the Clearing House and the CDS Clearing Member or Sponsored Principal have agreed pursuant to paragraph 8.2(b)(i) of the CDS Procedures that the CDS Clearing Member or Sponsored Principal may enter into a CDS Contract through or have an open CDS Contract recorded in the name of, or any Office of such CDS Clearing Member or Sponsored Principal through which it is acting.

The term "**Basis Trades**" means a 'basis trade' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**BClear**" means a service operated by a Market which enables Financials & Softs Clearing Members to report bilateral trades to that Market for the purposes of the relevant Market Rules or any similar transaction under any Market Rules.

The term "**Bilateral CDS Transaction**" means: (i) a CDS transaction between two CDS Clearing Members (or, to the extent permitted in the CDS Procedures, involving the same CDS Clearing Member acting in two different capacities); or (ii) a CDS transaction between a CDS Clearing Member and an Affiliate of the same or a different CDS Clearing Member; or (iii) a CDS transaction between an Affiliate of a CDS Clearing Member and an Affiliate of the same or a different CDS Clearing Member; or (iv) any of cases (i), (ii) or (iii) but where a Sponsored Principal is party to the transaction instead of a CDS Clearing Member, (to which in either case (i), (ii), (iii) or (iv), for the avoidance of doubt, the Clearing House is not a party).

The term "**Board**" means the board of Directors ~~of~~ of the Clearing House and, in the context of any power, discretion or authority of the board of the Clearing House, includes any other body

established thereunder ([or given powers of discretion thereby](#), whether called a board, a committee or otherwise) of the Clearing House.

The term "**Business Day**" means a day on which the Clearing House is open for business or, in relation to deliveries in respect of a particular F&O Contract, has the meaning given in the Delivery Procedures or, in relation to certain Contract Terms, has the meaning given in or pursuant to the Contract Terms Procedures or Market Rules.

The term "**Buyer**" means, in relation to deliveries under Part 7 or a Contract of Sale, the Clearing Member (or Sponsored Principal) or the Clearing House, whichever is obliged to receive delivery of a Deliverable (whether itself or through another Person).

The term "**Buying Counterparty**" means, in respect of a Contract: (a) except in circumstances in which sub-paragraph (c) below applies, the Clearing Member that was, before formation of a Contract, party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer (or, in relation to CDS Contracts, as protection buyer or, in relation to a Financially-Settled FX Contract, Reference Currency Buyer); (b) except in circumstances in which sub-paragraph (c) below applies, where a Non-FCM/BD Clearing Member's Customer is a party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer, protection buyer or Reference Currency Buyer (as applicable), the Clearing Member that provides clearing services to that Customer in relation to the Transaction in question (or, for F&O Contracts, if more than one such Clearing Member exists, the Clearing Member that was selected by the Customer for the initial booking of that Transaction); (c) where an FCM/BD Customer is a party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer, protection buyer or Reference Currency Buyer (as applicable), the FCM/BD Clearing Member clearing on behalf of such FCM/BD Customer; (d) in relation to F&O Contracts only and overriding any designation that would occur pursuant to (a), (b) or (c) above, where one Clearing Member that would be the Buying Counterparty in accordance with (a), (b) or (c) above has allocated an F&O Transaction to another Clearing Member for clearing in accordance with Market Rules, the Clearing Member to whom such F&O Transaction is allocated; or (e) notwithstanding (a) to (d), in respect of an Individually Segregated Sponsored Account, the Sponsored Principal shall act as principal to all Contracts as the Buying Counterparty on a joint and several basis with the Sponsor, instead of the relevant Clearing Member referred to in (a) to (d) above, subject to and as set out in Part 19.

The term "**CAD**" means Canadian dollars, or any other lawful currency that is a successor to it.

The term "**Call**", in respect of an F&O Contract, means an Option pursuant to which a Person with a Long position has the actual or notional right to buy a Deliverable from a Person with a Short position at the Strike Price and at a specified time.

The term "**Capital**":

- (a) with respect to a Non-FCM/BD Clearing Member or a Sponsored Principal that is not an FCM/BD, has the same meaning as the term "own funds", as such term is defined in the [Banking Consolidation Directive](#) [Capital Requirements Regulation](#) and determined on a stand-alone (non-consolidated) basis and subject to the limits and deductions set out

therein and, in relation to matters reserved for member states, as implemented in the United Kingdom, whether or not the relevant Clearing Member is subject to the **Banking Consolidation Capital Requirements Regulation**, **Capital Requirements Directive** or the supervision of the PRA; or

- (b) with respect to an FCM/BD Clearing Member, means its "adjusted net capital" as defined in CFTC Rule 1.17,

and, in either case, such other classes of capital as are permitted at the Clearing House's discretion pursuant to the Membership Procedures.

The term "**Capital Requirements Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, and includes all delegated or implementing regulations, decisions and technical standards thereunder as interpreted in accordance with any applicable guidance publicly issued by the European Banking Authority or any Regulatory Authority.

The term "**Capital Requirements Regulation**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and includes all delegated or implementing regulations, decisions and technical standards thereunder as interpreted in accordance with any applicable guidance publicly issued by the European Banking Authority or any Regulatory Authority.

The term "**CDS**" means credit default swap.

The term "**CDS Assessment Amount**" means the total amount of all CDS Assessment Contributions payable by CDS Clearing Members pursuant to Rule 909(c) in respect of an Event of Default.

The term "**CDS Assessment Contribution**" has the meaning set out in Rule 909(c).

The term "**CDS Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to CDS Contracts.

The term "**CDS Contract**" means a Contract that is a CDS, in the form of a 2003-type CDS Contract or a 2014-type CDS Contract, to which the Clearing House is party in accordance with these Rules and the CDS Procedures, which may be in the form of a CDS relating to an index or a single reference entity or in the form of a Component Transaction.

The term "**CDS Default Amount**" has the meaning set out in Rule 908(e).

The term "**CDS Default Auction Procedures**" means the Default Auction Terms for CDS Default Auctions.

The term "**Default Auction Procedures**" means the Default Auction Terms for F&O Default Auctions, the Default Auction Terms for CDS Default Auctions or the Default Auction Terms for FX Default Auctions, as applicable to the Relevant Contract Category in question.

The term "**Default Notice**" means a notice issued by the Clearing House under Rule 902(b).

The term "**Default Portability Preference**" means the identity of any one or more designated "preferred" Transferee Clearing Member(s) specified to the Clearing House by a Customer or Sponsored Principal as being the Clearing Member to which it would prefer its Customer-CM Transactions (and related Contracts) to be Transferred pursuant to the Default Portability Rules in the case of an Event of Default.

The term "**Default Portability Rules**" means Rule 904 and any terms setting out the meaning of the defined terms used therein.

The term "**Defaulter**" means a Clearing Member or former Clearing Member or Sponsored Principal or former Sponsored Principal or Disclosed Principal Member or former Disclosed Principal Member in respect of whom a Default Notice has been issued.

The term "**Deliverable**" means any property, right, interest, register or book entry, commodity, certificate, property entitlement or Investment, which is capable of being delivered pursuant to an F&O Contract or with respect to which settlement amounts are calculated.

The term "**Delivery Default**" means a Clearing Member or Sponsored Principal failing to deliver or transfer to the Clearing House in full any Deliverable required to be delivered or transferred by that Clearing Member or Sponsored Principal under or in connection with any Contract, including a failure to deliver or transfer a Deliverable in accordance with the applicable Delivery Procedures, unless such failure constitutes a Force Majeure Event affecting the relevant Clearing Member or Sponsored Principal.

The term "**Delivery Facility**" means any Person or facility used for the delivery of Deliverables (excluding Transferors and Transferees), including but not limited to, warehouses, balancing systems, gas networks, central securities depositories, settlement systems, designated systems, custodians, vessels, ports, terminals and Emissions Registries and their operators, facilities, records, ledgers and Registries (as defined in the Delivery Procedures), including National Grid, GTS, GASPOOL, Fluxys Belgium, Huberator, TenneT, Elia, TSO (as such Persons are defined in the Delivery Procedures), and gas or electricity transmission systems.

The term "**Deriv/SERV**" means the system for storage and processing of trade information in relation to CDS operated by The Depository Trust & Clearing Corporation or its Affiliates, currently known as Deriv/SERV, or any successor thereto or any other similar service specified by the Clearing House as a trade information warehouse (not being a Repository) for CDS.

The term "**Designated Controller**" means a Controller that has: (i) been notified to the Clearing House by a Clearing Member or Sponsored Principal as a controller which should be taken into account by the Clearing House for purposes of calculating the Capital or Margin requirements of the Clearing Member or Sponsored Principal; and (ii) executed in favour of, and delivered to, the

The term "**Energy**" is used to refer to the Clearing of the ICE Endex, ICE Endex UK, ICE Futures Europe, ICE Futures US and IFAD Markets, excluding the Clearing of Financials & Softs Contracts on the ICE Futures Europe market.

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

The term "**Energy Block Transaction**" means an EFS, EFP, EFRP, Basis Trade or Energy Block Trade Facility transaction in respect of Energy reported through a Market in accordance with the relevant Market Rules.

The term "**Energy Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to Energy Contracts.

The term "**Energy Contracts**" means Contracts resulting from the clearing of Energy Transactions.

The term "**Energy Transaction**" means an ICE Endex Transaction, ICE Endex UK Transaction, ICE Futures Europe Transaction (excluding a Financials & Softs Transaction) or ICE Futures US Transaction or IFAD Transaction.

The term "**ESMA**" means the European Securities and Markets Authority or any successor entity.

The term "**EUR**" means the euro, or any other lawful currency that is a successor to it.

The term "**Event of Default**" has the meaning set out in Rule 901 and the term "**Default**" shall be construed accordingly.

The term "**Exchange**" means any exchange or similar body duly authorised, regulated, recognised or licensed (to the extent necessary) under Applicable Laws in any jurisdiction, including, but not limited to, any recognised investment exchange, recognised overseas investment exchange, designated investment exchange, designated contract market, national securities exchange, swap execution facility, security-based swap execution facility, exempt commercial market, regulated market, alternative trading system, multilateral trading facility, swap execution facility, organised trading facility, systematic internaliser, trade affirmation or confirmation platform or similar entity.

The term "**Exchange Act**" means the U.S. Securities Exchange Act of 1934.

The term "**Exchange Delivery Settlement Price**" or "**EDSP**" in respect of a Set of F&O Contracts or an F&O Contract, means the [applicable daily](#) closing, [expiry](#), delivery ~~or~~, cash settlement [or other relevant price in each case](#) determined pursuant to Rule 701 [or Rule 802](#), as [applicable](#).

[The term "Externalised Payments Mechanism" has the meaning set out in Rule 302\(a\).](#)

- (i) if no extension has been granted to the Clearing House pursuant to Rule 110(b) or Rule 110(c) prior to this date: the date falling 3 Business Days after notice of such failure is given to it by the Clearing Member or Sponsored Principal to whom such payment or return is due; or
- (ii) if an extension has been granted to the Clearing House as referred to in paragraph (i) of this definition, 10 a.m. on the next Business Day after service of a notice of that failure to the Clearing House by the Clearing Member or Sponsored Principal to whom such payment or return is due, provided that ~~such~~the 3 Business Days' period in (i) and such extension period under Rule 110(b) or (c) have cumulatively elapsed and notice is given no earlier than the final day of a period for which an extension has been granted to the Clearing House pursuant to Rule 110(b) or Rule 110(c), (or such 3 Business Day period, whichever ends at the later time).

save to the extent that any such failure to pay or return constitutes a Force Majeure Event affecting the Clearing House.

The term "**FCA**" means the UK's Financial Conduct Authority or any successor entity.

The term "**FCA Rules**" means all rules, requirements, directions, guidance, examples, waivers and other similar materials published or otherwise made by the FCA from time to time.

The term "**FCM/BD**" means a Person registered as a futures commission merchant with the CFTC and/or as a broker-dealer with the SEC, as applicable.

The term "**FCM/BD Clearing Member**" means a Clearing Member that is an FCM/BD.

The term "**FCM/BD Customer**" means any Customer that is: (a) a customer (as defined in CFTC Rule 39.2) of an FCM/BD Clearing Member with respect to any Contract in one or more account classes (as defined in CFTC Rule 190.01) (other than a non-public customer as defined in CFTC Rule 190.01); or (b) a customer (as defined in SEC Rule 15c3-3) of an FCM/BD Clearing Member with respect to any Contract recorded in an SBS Customer Account; provided that for the avoidance of doubt the term "FCM/BD Customer" will include a Customer of an FCM/BD Clearing Member (which Customer may, but need not, be an Affiliate of that FCM/BD Clearing Member or another Clearing Member) that is itself acting on behalf of one or more customers (other than non-public customers, as so defined) with respect to a Contract.

The term "**Financial Collateral Regulations**" means the Financial Collateral Arrangements (No. 2) Regulations 2003 (which implement Directive 2002/47/EC on financial collateral arrangements).

The term "**Financial Emergency**" means, with respect to any Clearing Member, any situation in which the financial or operational condition of such Clearing Member or any of its Designated Controllers is not or is likely not to be, in either case determined at the discretion of the Clearing House, adequate for such Clearing Member to meet its obligations (including, without limitation, its obligations to comply with these Rules) or to engage in business, or is such that it would not

The term "**FSMR**" means the Financial Services and Markets Regulations 2015 of the Abu Dhabi Global Market.

The term "**FSRA**" means the Abu Dhabi Global Market's Financial Services Regulatory Authority or any successor entity.

The term "**FSRA Rules**" means all rules, requirements, directions, guidance, examples, waivers and other similar materials published or otherwise made by the FSRA from time to time.

The term "**Future**" means an F&O Contract or FX Contract subject to Clearing by the Clearing House that is a 'future' or 'contract for differences etc.' under articles 84 or 85 of the FSMA (Regulated Activities) Order 2001, any similar investment which may be labelled as a 'spot', 'forward' or 'swap' contract or treated as such under any Applicable Law or any economically similar Contract that is not an investment, but excluding for the avoidance of doubt Options.

The term "**FX**" means foreign exchange.

The term "**FX Acceptance Notice**" has the meaning set out in the FX Procedures.

The term "**FX Assessment Amount**" means the total amount of all FX Assessment Contributions payable by FX Clearing Members pursuant to Rule 909(e) in respect of an Event of Default.

The term "**FX Assessment Contribution**" has the meaning set out in Rule 909(e).

The term "**FX Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to FX Contracts.

The term "**FX Contract**" means a Contract that is a foreign exchange contract that is subject to Clearing pursuant to these Rules and of a nature as specified in Circulars issued by the Clearing House from time to time.

The term "**FX Default Amount**" has the meaning set out in Rule 908(e).

The term "**FX Guaranty Fund**" means the guaranty fund established and maintained pursuant to Part 11 relating to the Clearing of FX Contracts.

The term "**FX Guaranty Fund Contribution**" means a Guaranty Fund Contribution relating to the FX Guaranty Fund.

~~The term "**FX Mark-to-Market Interest**" means interest calculated by reference to the FX Mark-to-Market Margin Balance, determined and payable as set out in the Procedures.~~

The term "**FX Mark-to-Market Margin**" means the Permitted Cover required to be provided to the Clearing House by a Clearing Member or Sponsored Principal by way of outright transfer as a settlement payment or by the Clearing House to a Clearing Member or Sponsored Principal in respect of FX Contracts pursuant to Rule 503(i) and the FX Procedures.

The term "**FX ~~Mark-to-Market~~Notional Margin Balance**", in respect of an FX Contract on any day, means the notional sum of all FX Mark-to-Market Margin ~~delivered~~transferred by the relevant FX Clearing Member or Sponsored Principal in respect of such FX Contract to the Clearing House less all FX Mark-to-Market Margin ~~delivered~~transferred by the Clearing House in respect of such FX Contract to such FX Clearing Member or Sponsored Principal (notwithstanding that FX Mark-to-Market Margin is a settlement payment), as determined at the close of business on such day.

The term "**FX Original Margin**" means the Permitted Cover required to be provided to the Clearing House as security for the obligations of a Clearing Member or Sponsored Principal in respect of FX Contracts pursuant to Part 5 and includes, where the context so requires, any proceeds of realisation of the same.

The term "**FX Price Alignment Amount**" means a price alignment amount calculated by reference to the relevant FX Notional Margin Balance, determined and payable as set out in the FX Procedures.

The term "**FX Settlement Date**" means (a) in relation to a Financially-Settled FX Contract, means the date on which the Reference Currency Buyer or Reference Currency Seller is obliged to make payment to the other party in order to discharge its obligations under the contract, which date may be expressed as a settlement, termination or payout date and (b) in relation to FX Trade Particulars submitted for Clearing, the date set out in the relevant FX confirmation.

The term "**FX Standard Terms**" means the form of Customer-CM FX Transaction Standard Terms as published by the Clearing House from time to time as an Exhibit to these Rules, but which do not form part of these Rules, which are applicable as between each Non-FCM/BD Clearing Member and each of its Customers in relation to FX Clearing, as amended from time to time in accordance with the FX Standard Terms.

The term "**FX Swap**" means an FX transaction that is a 'contract for differences' under article 85 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (or any economically similar transaction that is not an investment). An FX Swap may be submitted for Clearing as two separate sets of FX Trade Particulars or part of an FX Swap may be submitted for Clearing as a single set of FX Trade Particulars.

The term "**FX Trade Execution/Processing Platform**" means an Exchange that has satisfied the Clearing House's requirements to be authorised to submit FX Trade Particulars and receive FX Acceptance Notices on behalf of one or more FX Clearing Members or Sponsored Principals for Clearing, including having entered into an agreement with the Clearing House to act as an "**Approved FX Trade Execution/Processing Platform**" in relation to such submissions, confirmations and receipts and, in relation to any FX Clearing Member or Sponsored Principal on whose behalf (and, as the case may be, for whose Affiliate) it submits FX Trade Particulars, has obtained that FX Clearing Member's or Sponsored Principal's authorisation in writing or through the ICE FX clearing systems to submit and confirm FX Trade Particulars for Clearing and receipt of FX Acceptance Notices relating thereto and accordingly, such an FX Trade Execution/Processing Platform will be a Representative of such FX Clearing Member or Sponsored Principal for such purposes until the expiry of not less than one Business Day's

recorded in the relevant Individually Segregated Sponsored Account from assets and positions relating to other Customers of the Sponsor in its capacity as a Clearing Member and from the assets and positions relating to other Sponsored Principals and Customers.

The term "**Initial CDS Auction**" means a Default Auction held in accordance with Rule 905(b)(i) and the CDS Default Auction Procedures.

The term "**Initial Margin**" means the Permitted Cover required to be provided or actually provided (by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or by way of pledge pursuant to a Pledged Collateral Addendum) to the Clearing House as collateral for the obligations of a Clearing Member or Sponsored Principal in respect of CDS Contracts including Physical Settlement Margin and other margin transferred in relation to CDS Contracts pursuant to Part 5 including any margin provided in relation to CDS Contracts pursuant to Rule 502(g), in each case as calculated or permitted to be called in accordance with the risk policies of the Clearing House, but excluding in any case Mark-to-Market Margin and any Customer-CM Collateral that is not transferred to the Clearing House and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Initial Payment**" means, in relation to a CDS Contract, the payment, if any, specified as the "Initial Payment Amount" under the Contract Terms for such CDS Contract and, in relation to a Bilateral CDS Transaction or CDS Trade Particulars, the payment, usually described therein as the "Initial Payment Amount" or "Additional Amount", payable by one party thereto to the other usually not later than the third business day after the trade date of such Bilateral CDS Transaction or CDS Trade Particulars.

The term "**Insolvency**" means, in relation to any Person: a bankruptcy or winding-up petition being presented; a bankruptcy order being made; a [suspension of payments or moratorium being granted](#); a voluntary arrangement being approved; an Insolvency Practitioner being appointed or petition or order being made for such an appointment (other than in connection with a Resolution Step which is not an Unprotected Resolution Step); a composition or scheme of arrangement being approved by a court or other Governmental Authority; an assignment, compromise or composition being made or approved for the benefit of any creditors or significant creditor; an order being made or resolution being passed for winding up; dissolution; the striking off of that Person's name from a register of companies or other corporate bodies; a distress process being levied or enforced or served upon or against property of that Person; a Governmental Authority making an order, [instrument or other measure](#) pursuant to which any of that Person's securities, property, rights or liabilities are transferred (other than a Resolution Step); a trust deed granted by it becoming a protected trust deed (where the terms 'trust deed' and 'protected trust deed' are construed in accordance with section 73(1) of the Bankruptcy (Scotland) Act 1985) and, for CDS Clearing Members and Sponsored Principals in respect of CDS Contracts only, also any event not otherwise falling within this definition but which constitutes a Bankruptcy in respect of such CDS Clearing Member or Sponsored Principal; or any event analogous to any of the foregoing in any jurisdiction (always excluding any frivolous or vexatious petition or solvent reorganisation, change of Control or merger notified to the Clearing House in accordance with Rule 204(a)(i)).

The term "**Insolvency Practitioner**" means a receiver, [judicial manager](#), administrator, temporary administrator, bank administrator, manager, administrative receiver, liquidator,

conservator, examiner, trustee in bankruptcy, relevant office-holder (under the Companies Act 1989) or any other Person appointed or with powers in relation to an Insolvency in any jurisdiction.

The term "**Intellectual Property**" means all intellectual property rights in any part of the world and for the entire duration of such rights, shall include, without limitation, copyright, trade marks, design rights, patents, domain names, database rights and know-how, in each case whether registered or unregistered and including applications to register and rights to apply for registration, and all similar or equivalent rights which may subsist anywhere in the world.

The term "**Investment**" means any 'specified investment' as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 or any loan, bond, obligation or debenture referenced in a CDS Contract.

The term "**Investment Losses**" means losses, liabilities, damages, costs, claims, shortfalls or expenses incurred or suffered by the Clearing House, to the extent that the same are not subjected to any power of assessment under Rule 909 or any mechanism under Rules 914 to 916, arising in connection with the default of the issuer of any instrument and/or the counterparty to any repurchase or reverse repurchase contract or similar transaction in respect of any investment(s) or re-investment(s) by the Clearing House of assets representing Original/Initial Margin, Guaranty Fund Contributions or Permitted Cover in respect thereof (including any such assets transferred by a Defaulter) or the proceeds of any of the foregoing, other than any such losses, liabilities, damages, costs, claims, shortfalls or expenses resulting directly from a failure by the Clearing House to comply with its own investment policies. For the avoidance of doubt, "Investment Losses" shall not include losses, liabilities, damages, costs, claims, shortfalls or expenses incurred or suffered by the Clearing House as a result of a Custodian default.

The term "**Invoice Back**" means the process by which an offsetting Contract of the same Set as an existing Contract is created by the Clearing House pursuant to Rule 104(a)(i) or Rule 104(b) and Rule 401(a)(vi), with the role of Buying Counterparty or Selling Counterparty reversed and, at the Clearing House's discretion, a different price or premium and other terms as are determined by the Clearing House pursuant to Rule 104 or an existing Contract is terminated by the Clearing House pursuant to Rule 104(a)(i) or Rule 104(b) at a termination price and other terms as are determined by the Clearing House pursuant to Rule 104; and the terms "**Invoiced Back**", "**Invoicing Back**" and other similar expressions shall be construed accordingly.

The term "**LCIA**" means the London Court of International Arbitration or any successor thereto.

The term "**LCIA Rules**" means the arbitration rules of the LCIA.

The term "**Long**", in respect of an Option, refers to the positions of Persons entitled to exercise Options.

The term "**Loss Assets**" means assets of the Clearing House of a value specified pursuant to Rule 919(p) which are intended to be applied towards Non-Default Losses or Investment Losses pursuant to Rule 919.

The term "**Margin**" means Permitted Cover required to be provided or actually provided (by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or by way of pledge pursuant to a Pledged Collateral Addendum) to the Clearing House (or, in the case of Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin, provided to or by the Clearing House, ~~as the context may require or, in the case of Variation Margin provided pursuant to a~~ by outright transfer of cash as a settlement payment) pursuant to a requirement for Original Margin, Variation Margin, FX Original Margin, Initial Margin, Mark-to-Market Margin, FX Mark-to-Market Margin or any other requirement under the Rules or the Finance Procedures and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Margin Account**" means a Proprietary Margin Account or Customer Margin Account.

The term "**Margin-flow Co-mingled Account**" means a kind of Customer Account of a Non-FCM/BD Clearing Member at the Clearing House for the recording of positions and related Margin, in which solely assets and positions and related Margin relating to a particular Customer (or a particular group of Customers) are recorded, enabling the Clearing House to distinguish the assets and positions recorded in such account from assets, positions and Margin relating to other Customers of the Clearing Member and from assets, positions and Margin relating to Sponsored Principals, but in respect of which transfers of Permitted Cover to and from the Clearing House are co-mingled or netted with transfers of Permitted Cover relating to other Margin-flow Co-mingled Accounts of the same Clearing Member that are recorded in the same position-keeping account, in accordance with Rules 302(a)(v)-(vi) and 503(k) and the Clearing Procedures. A Margin-flow Co-mingled Account may be an Account: (i) in which solely assets and positions and related Margin relating to a particular Customer are recorded, in which case it will be an "**Individually Segregated Margin-flow Co-mingled Account**" and result in 'individual client segregation' for purposes of EMIR; or (ii) in which assets and positions and related Margin relating to a group of Customers (such as, without limitation, Customers that are Affiliates of one another or Customers which are all funds managed by the same fund manager or fund managers that are Affiliates of one another) are recorded, in which case it will be an "**Omnibus Margin-flow Co-mingled Account**" and result in 'omnibus client segregation' for purposes of EMIR.

The term "**Mark-to-Market Margin**" means cash required to be provided or actually provided by a Clearing Member or Sponsored Principal (~~by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or, or for FCM/BD Clearing Members, by way of pledge pursuant to a Pledged Collateral Addendum~~) outright transfer of cash as a settlement payment to the Clearing House or by the Clearing House to a Clearing Member or Sponsored Principal related to the market value of a Clearing Member's or Sponsored Principal's Open Contract Positions relating to CDS Contracts, as determined pursuant to Rule 503(f)(ii) and the Finance Procedures and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Mark-to-Market Price**" has the meaning given in Rule 503(g).

The term "**Market**" means ICE Endex, ICE Endex UK, ICE Futures Europe, ICE Futures US, IFAD and any other Exchange for which the Clearing House provides or may provide Clearing services (and for the purposes of Clearing Membership Agreements for CDS Clearing Members and FX Clearing Members only, also includes the over-the-counter markets for CDS and FX).

The term "**Market Rules**" means the rules, regulations, procedures of, and agreements governing, a Market.

The term "**Membership Category**" means any of the three membership categories, as applicable to the clearing permissions of a Clearing Member or Sponsored Principal, that are linked to a specific Guaranty Fund, i.e. F&O, CDS and FX.

The term "**MiFID II**" means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, and includes all delegated or implementing regulations, national implementing measures in any member state, decisions and technical standards thereunder as interpreted in accordance with any applicable guidance publicly issued by ESMA or any Regulatory Authority.

The term "**Monetary Default**" means a Clearing Member or Sponsored Principal failing to transfer ~~to, deposit with,~~ or pay to, the Clearing House in full any Margin, Guaranty Fund Contribution, amount due under or in connection with any Contract or other amount due to the Clearing House or required by or pursuant to Market Rules, unless such failure constitutes a Force Majeure Event affecting the relevant Clearing Member or Sponsored Principal.

The term "**Money Laundering Directive**" means Directive 2005/60/EC and relevant implementing measures in each member state of the European Economic Area which has implemented Directive 2005/60/EC, including the Money Laundering Regulations 2007.

The term "**National Grid**" has the meaning given in the Delivery Procedures.

The term "**Network Code**" has the meaning given in the Delivery Procedures.

The term "**Nominated Bank Account**" means a Nominated Customer Bank Account or a Nominated Proprietary Bank Account.

The term "**Nominated Customer Bank Account**" means an account (if any) of a Clearing Member at an Approved Financial Institution, nominated by the Clearing Member in accordance with the Finance Procedures, used by the Clearing Member for transfers to or from the Clearing House of amounts due in respect of a particular Customer Account (or all its Margin-flow Co-mingled Accounts related to the same position-keeping account or all its Segregated Gross Indirect Accounts related to the same position-keeping account) which may be designated by a Clearing Member for payments in respect of a single Customer Account or Customer Accounts of a particular Customer Account Category (or all its Margin-flow Co-mingled Accounts related to the same position-keeping account or all its Segregated Gross Indirect Accounts related to the same position-keeping account). For the avoidance of doubt, a Nominated Customer Bank

The term "**Opening Days**" means the days upon which the Clearing House is operational, which may vary for different Contracts or between deliveries and other business, as notified by the Clearing House from time to time.

The term "**Opening Hours**" means the hours during which the Clearing House is operational, which may vary for different Contracts or between deliveries and other business, as notified by the Clearing House from time to time.

The term "**Option**" means an F&O Contract subject to Clearing by the Clearing House that is an 'option' under article 83 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 or any economically similar Contract that is not an investment.

The term "**Original Margin**" means the Permitted Cover required to be provided or actually provided (by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or by way of pledge pursuant to a Pledged Collateral Addendum) to the Clearing House as collateral for the obligations of a Clearing Member or Sponsored Principal in respect of F&O Contracts pursuant to Part 5 including any margin provided in relation to F&O Contracts pursuant to Rule 502(g), in each case as calculated or permitted to be called in accordance with the risk policies of the Clearing House, ~~but excluding in any case Variation Margin~~, and including where the context so requires, any proceeds of realisation of the same, but excluding in any case Variation Margin.

The term "**Permitted Co-mingled Contract**" means, with respect to an FCM/BD Clearing Member, a Contract that is a Non-DCM/Swap which has been designated by the Clearing House by Circular and approved by the appropriate Regulatory Authority or Regulatory Authorities to be recorded in a Swap Customer Account or a DCM Customer Account, as applicable, rather than a Non-DCM/Swap Customer Account.

The term "**Permitted Cover**" means cash in Eligible Currencies and other assets determined by the Clearing House as permissible for Margin or Guaranty Fund Contributions and includes, where the context so requires, any such cash or assets transferred to the Clearing House and any proceeds of realisation of the same. A particular kind of currency or asset may be determined by the Clearing House to be Permitted Cover only in respect of Proprietary Accounts, particular kinds of Customer Accounts, Energy Contracts, Financials & Softs Contracts, F&O Contracts, FX Contracts, CDS Contracts or certain Sets of Contracts.

The term "**Person**" means any individual, partnership, firm, body corporate, association, trust, unincorporated organisation or other entity, including:

- (a) an investment fund (*Sondervermögen*) within the meaning of the German Investment Act (*Investmentgesetz* – "**InvG**") or the German Investment Capital Act (*Kapitalanlagegesetzbuch* – "**KAGB**"), including a sub-fund (*Teilfonds*) within the meaning of section 34 para. (2) InvG or a sub-fund (*Teilsondervermögen*) within the meaning of section 96 para (2) KAGB; or
- (b) a fund segment of such investment fund;

The term "**Potential Event of Default**" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

The term "**PRA**" means the UK's Prudential Regulatory Authority or any successor entity.

The term "**PRA Rules**" means all rules, requirements, directions, guidance, examples, waivers and other similar materials published or otherwise made by the PRA from time to time.

The term "**President**" means the president of the Clearing House from time to time.

The term "**Procedures**" means the procedures of the Clearing House from time to time, as amended pursuant to Rule 109(e) and any reference to the "**Finance Procedures**", "**Delivery Procedures**", "**Clearing Procedures**", "**Complaint Resolution Procedures**", "**CDS Procedures**", "**Contract Terms Procedures**", "**Membership Procedures**", "**Business Continuity Procedures**", "**FX Procedures**", "**FX Contract Terms**", "**Default Auction Procedures**", "**CDS Default Auction Procedures**", "**Default Auction Terms for F&O Default Auctions**", "**Default Auction Terms for FX Default Auctions**", "**Default Auction Terms for CDS Default Auctions**" or any other section of the Procedures shall be interpreted accordingly.

The term "**Proprietary Account**" refers to a proprietary account at the Clearing House which may be designated for CDS Contracts, Energy Contracts or FX Contracts and all related Margin and comprises a Proprietary Position Account and Proprietary Margin Account.

The term "**Proprietary Account Contract**" means a Contract recorded in a Proprietary Position Account (or any sub-account thereof).

The term "**Proprietary Account Position**" means an Open Contract Position as recorded in a Proprietary Position Account (or any sub-account thereof).

The "**Proprietary Margin Account**" forms part of a Proprietary Account and the term means an account with the Clearing House which is not a Customer Margin Account, opened in the name of a Clearing Member for the recording of debits and credits of Margin in respect of Proprietary Account Contracts recorded in the related Proprietary Position Account, which may be divided for administrative convenience only into sub-accounts including for F&O Contracts only, for CDS Contracts only or for FX Contracts only.

The "**Proprietary Position Account**" forms part of a Proprietary Account and the term means an account with the Clearing House which is not a Customer Position Account, opened in the name of a Clearing Member in which Proprietary Account Contracts entered into by the Clearing Member (whether directly or indirectly) and/or related Open Contract Positions are recorded, which may be divided for administrative convenience only into sub-accounts including for F&O Contracts only, for CDS Contracts only or for FX Contracts only.

The term "**Put**", in respect of an F&O Contract, means an Option pursuant to which the Person with a Long position has the [actual or notional](#) right to sell a ~~Future or Futures~~ [Deliverable](#) to the Person with a Short position at the Strike Price and at a specified time.

The term "**Reference Currency Buyer**" means, (i) in respect of an FX transaction referred to in FX Trade Particulars, the person identified as the Reference Currency Buyer in the Clearing House's records of such FX Trade Particulars; and (ii) in respect of an FX Contract, the Clearing House if the Clearing Member or Sponsored Principal who is party to that FX Contract (or its Customer) was identified as the Reference Currency Buyer in the corresponding FX Trade Particulars, or the Clearing Member or Sponsored Principal who (or whose Customer) was identified as the Reference Currency Buyer in the corresponding FX Trade Particulars.

The term "**Reference Currency Seller**" means, (i) in respect of an FX transaction referred to in FX Trade Particulars, the person identified as the Reference Currency Seller in the Clearing House's records of such FX Trade Particulars; and (ii) in respect of an FX Contract, the Clearing House if the Clearing Member or Sponsored Principal who is party to that FX Contract (or its Customer) was identified as the Reference Currency Seller in the corresponding FX Trade Particulars, or the Clearing Member or Sponsored Principal who (or whose Customer) was identified as the Reference Currency Seller in the corresponding FX Trade Particulars.

~~The term "**Reference Price**" in respect of F&O Contracts and a Set of Options or an Option, means the reference price determined by the Clearing House on the basis of data provided by the relevant Market or otherwise pursuant to Rule 802.~~

The term "**Regulatory Authority**" means any Governmental Authority which exercises a regulatory or supervisory function under the laws of any jurisdiction in relation to financial services, the financial markets, Exchanges or Clearing Organisations (including, without limitation, the FCA, the PRA, any other Person given powers under the FSMA, the Bank of England, HM Treasury, the college (as defined in EMIR) or any member of such college, the European System of Central Banks, the European Central Bank, FINRA, the CFTC, the SEC and the FSRA).

The term "**Relevant Contract Category**" subject to Rule 914(f), means one of the three categories of Contract (F&O, CDS or FX) to which an Assessment Contribution, RGD Determination or Termination Circular relates (as applicable in Rules 909, 914 or 916 respectively), as designated by the Clearing House in the relevant Circular.

The term "**Repository**" means a trade repository (as defined in EMIR) used for the reporting of Contracts (which may also be used for the recording of Transactions submitted for Clearing).

The term "**Representative**" means any Person that carries out or is responsible for (or purports to carry out or be responsible for) any of the functions of another Person and any Persons that any such Person employs, authorises or appoints to act on its behalf, including without limitation any director, partner, officer, executive, employee, Affiliate, Customer, contractor or agent of that other Person (provided, in the case of a Clearing Member, that a Customer will only be treated as a Representative of a Clearing Member in respect of any act, omission, conduct or behaviour in its capacity as a Customer to the extent that the Clearing Member is bound by the conduct of such Customer pursuant to Rule 102(j) or Rule 1516(b)). In relation to an Individually Segregated Sponsored Account, the Sponsor is a Representative of the Sponsored Principal.

(and in which no assets or positions relating to the Non-FCM/BD Clearing Member's own account are recorded, enabling the Non-FCM/BD Clearing Member to distinguish the assets and positions in FX Contracts held for the account of its Segregated TTFCAs Customers).

The term "**SEK**" means Swedish krona, or any other lawful currency that is a successor to it.

The term "**Seller**" means, in relation to deliveries under Part 7 or a Contract of Sale, the Clearing Member (or Sponsored Principal) or the Clearing House, whichever is obliged to make delivery of a Deliverable (whether itself or through another Person).

The term "**Selling Counterparty**" means, in respect of a Contract: (a) except in circumstances in which sub-paragraph (c) below applies, the Clearing Member that was, before formation of a Contract for Clearing, party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as seller (or, in relation to CDS Contracts, as protection seller or, in relation to Financially-Settled FX Contracts, Reference Currency Seller); or (b) except in circumstances in which sub-paragraph (c) below applies, where a Non-FCM/BD Clearing Member's Customer is party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as seller, protection seller or Reference Currency Seller (as applicable), the Clearing Member that provides clearing services to that Customer in relation to the Transaction in question (or, for F&O Contracts, if more than one such Clearing Member exists, the Clearing Member that was selected by the Customer for the initial booking of that Transaction); (c) where an FCM/BD Customer is a party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as seller, protection seller or Reference Currency Seller (as applicable), the FCM/BD Clearing Member clearing on behalf of such FCM/BD Customer; (d) in relation to F&O Contracts only and overriding any designation that would occur pursuant to (a), (b) or (c) above, where one Clearing Member that would be a Selling Counterparty in accordance with (a), (b) or (c) above has allocated an F&O Transaction to another Clearing Member for clearing in accordance with Market Rules, the Clearing Member to whom such F&O Transaction is allocated; or (e) notwithstanding (a) to (d), in respect of an Individually Segregated Sponsored Account, the Sponsored Principal shall act as principal to all Contracts as the Selling Counterparty on a joint and several basis with the Sponsor, instead of the relevant Clearing Member referred to in (a) to (d) above, subject to and as set out in Part 19.

The term "**Set**" means:

- (a) for Futures Contracts: a set or class of Contracts that are identical as to their terms (including the Deliverable to which such Contract relates and ~~contract~~settlement date; but excluding any amount paid or to be paid for entry into the Contract and any amount paid or to be paid in respect of the entry into, settlement or delivery of a Contract);
- (b) for Options Contracts: a set of Contracts that are identical as to their terms (including the Deliverable to which such Contracts relate, contract date and Strike Price; but excluding any amount paid or to be paid for entry into or writing of a Contract and any amount paid or to be paid in respect of settlement);
- (c) for CDS Contracts that are based on an index (including Triggered Restructuring CDS Contract Portions and Component Transactions forming part thereof or, pursuant to the

Rules, resulting therefrom), a set of Contracts that are similar as to their terms (including, without limitation, identical as to their terms concerning the Applicable Credit Derivatives Definitions, the reference entities and obligations to which any payment or delivery obligation is linked, series number, fixed rate and scheduled termination date; but which may differ, without limitation, as to any Initial Payment, the 'Trade Date' and any provisions relating to tax or the provision of forms relating to tax);

- (d) for CDS Contracts that are based on a single reference entity, a set of Contracts that are similar as to their terms (including, without limitation, identical as to their terms concerning the Applicable Credit Derivatives Definitions, the reference entity and obligations to which any payment or delivery obligation is linked, fixed rate, scheduled termination date and, where terms are determined by reference to a "Physical Settlement Matrix", referring to the same version of such "Physical Settlement Matrix"; but which may differ, without limitation, as to any Initial Payment, the 'Trade Date' and any provisions relating to tax or the provision of forms relating to tax); and
- (e) for Financially-Settled FX Contracts: a set of Contracts that are identical as to their terms and economic characteristics (including the currency pair to which such Financially-Settled FX Contracts relate and their FX Settlement Date; but excluding any amount paid or to be paid for entry into or writing of the Financially-Settled FX Contract, any amount paid or to be paid in respect of settlement under the Financially-Settled FX Contract and the position of the FX Clearing Member or Clearing House as Reference Currency Buyer or Reference Currency Seller).

The term "**Settlement and Notices Terms**" means the Settlement and Notices Terms as published by the Clearing House from time to time as an Exhibit to these Rules, but which do not form part of these Rules, which are applicable in respect of CDS Contracts, Customer-CM CDS Transactions and clearing agreements or arrangements between FCM/BD Clearing Members that are CDS Clearing Members and their Customers, as amended from time to time in accordance with the terms thereof.

The term "**Settlement Finality Directive**" means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems, and includes any national implementing measures in any member state.

The term "**Settlement Finality Regulations**" means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

The term "**Short**", in respect of an Option, refers to the positions of Persons against whom ~~Put Options and Call~~ Options may be exercised.

The term "**Soft Commodity EFRP**" means a 'Soft Commodity EFRP' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**Sponsor**" means a Clearing Member that has permission from the Clearing House to act as such, acting in its capacity as sponsor of an Individually Segregated Sponsored Account.

usage as a "segregated account for the exclusive purpose of holding the assets and positions of the clearing member's indirect clients that are managed by the clearing member" for purposes of EMIR and MiFID II.

The term "**Standard Omnibus Indirect Account For FX**" means a kind of Customer Account with the Clearing House opened in the name of a Non-FCM/BD Clearing Member for the recording of FX Contracts to which that Clearing Member is a party as a result of it acting for one or more Segregated Customers which have Indirect Clients, and related Margin (and in which no assets or positions relating to the Clearing Member's own account nor any assets or positions relating to the proprietary business of any Customer are recorded), enabling the Clearing Member to distinguish the assets and positions in FX Contracts held for the account of Segregated Customers solely in respect of transactions entered into by such Segregated Customers with Indirect Clients. A Standard Omnibus Indirect Account for FX is intended for usage as a "segregated account for the exclusive purpose of holding the assets and positions of the clearing member's indirect clients that are managed by the clearing member" for purposes of EMIR and MiFID II.

[The term "Standard Payments Mechanism" has the meaning set out in Rule 302\(a\).](#)

The term "**Standard Terms**" means CDS Standard Terms, F&O Standard Terms or FX Standard Terms.

The term "**Standard TTFCA Omnibus Indirect Account For CDS**" means a kind of Customer Account with the Clearing House opened in the name of a Non-FCM/BD Clearing Member for the recording of CDS Contracts to which that Clearing Member is a party as a result of it acting for one or more Segregated TTFCA Customers which have Indirect Clients, and related Margin (and in which no assets or positions relating to the Clearing Member's own account nor any assets or positions relating to the proprietary business of any Customer are recorded), enabling the Clearing Member to distinguish the assets and positions in CDS Contracts held for the account of Segregated TTFCA Customers solely in respect of transactions entered into by such Segregated TTFCA Customers with Indirect Clients. A Standard TTFCA Omnibus Indirect Account for CDS is intended for usage as a "segregated account for the exclusive purpose of holding the assets and positions of the clearing member's indirect clients that are managed by the clearing member" for purposes of EMIR and MiFID II.

The term "**Standard TTFCA Omnibus Indirect Account For F&O**" means a kind of Customer Account with the Clearing House opened in the name of a Non-FCM/BD Clearing Member for the recording of F&O Contracts to which that Clearing Member is a party as a result of it acting for one or more Segregated TTFCA Customers which have Indirect Clients, and related Margin (and in which no assets or positions relating to the Clearing Member's own account nor any assets or positions relating to the proprietary business of any Customer are recorded), enabling the Clearing Member to distinguish the assets and positions in F&O Contracts held for the account of Segregated TTFCA Customers solely in respect of transactions entered into by such Segregated TTFCA Customers with Indirect Clients. A Standard TTFCA Omnibus Indirect Account for F&O is intended for usage as a "segregated account for the

Auction or a failed FX Auction in accordance with the applicable Default Auction Procedures; and (ii) for the CDS Contract Category, that a situation in which a Secondary CDS Auction may be held has arisen pursuant to Rule 905(d)(i)(B).

The term "**Unprotected Resolution Step**" means a Resolution Step occurring in respect of a Person, other than the Clearing House, in which either (x) the substantive obligations of that Person to the Clearing House (including payment and delivery obligations and the provision of collateral) under the Clearing Membership Agreement, these Rules, the Procedures or any other agreement between that Person and the Clearing House are not being performed or (y) the Clearing House is not prohibited or otherwise prevented from declaring an Event of Default or exercising its termination and close-out rights under Part 9 with respect to that Person, whether as a result of section 48Z of the Banking Act or otherwise.

The term "**USD**" means the lawful currency from time to time of the United States of America.

The term "**U.S. Future**" means (i) a Future or an Option that is an option on a Future, in either case that is traded on or subject to the rules of a designated contract market under Section 5 of the CEA and (ii) Permitted Co-mingled Contracts recorded in a DCM Customer Account. For the avoidance of doubt, U.S. Futures will not include Swaps or SBS.

The term "**U.S. Person**" means a Person that is organised under the laws of or has its principal place of business in the United States of America or a state or territory thereof.

The term "**Variation Margin**" means the cash required to be provided or actually provided by a Clearing Member or Sponsored Principal [by way of outright transfer of cash as a settlement payment](#) to the Clearing House or by the Clearing House to a Clearing Member or Sponsored Principal related to the market value of a Clearing Member's or Sponsored Principal's Open Contract Positions relating to F&O Contracts, as determined pursuant to Rule 503(e) and the Finance Procedures and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Withdrawal Date**" means, if at any time the Clearing House decides to terminate its services, either generally or in relation to a significant part of its business or certain categories of Contract, the date on which that termination will take effect.

Rule 102 *Interpretation*

- (a) Any reference to a statute, statutory provision or rule shall include any notice, order, guidance, example, regulation or subordinate legislation made from time to time under that statute, statutory provision or rule which is in force from time to time. Any reference to a statute or statutory provision shall include such statute or provision as from time to time amended, modified, re-enacted or consolidated from time to time and (so far as liability thereunder may exist or can arise) shall include also any past statute or statutory provision (as from time to time modified, re-enacted or consolidated) which was applicable at the time of any relevant action or omission.

Segregated Gross Indirect Account or Standard Omnibus Indirect Account made by each of its Customers in writing.

- (h) All references to timings or times of day are to London (UK) times, unless indicated otherwise. Business hours shall occur only on Business Days and shall be construed accordingly.
- (i) All references to "tax" shall include, without limitation, any tax, levy, impost, social security contributions, duty, or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying the same).
- (j) Each Clearing Member shall be bound by any act, omission, conduct or behaviour ("**conduct**") of its [Representatives or of its](#) Customers ~~and/or~~ clients of such Customers ~~but only~~ in any instance in which any such [Representative](#), Customer or client of such Customer:
 - (i) is permitted by the Clearing Member to have access to any system or interface of any Market, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform or the Clearing House which access enables or results in the entry into of Contracts and relates to Clearing by that Clearing Member for such Customer or client (which access, without limitation shall be deemed to have been granted by the Clearing Member if the Customer or client in question has been nominated to the Clearing House as an Eligible Person pursuant to the Clearing Membership Agreement to which such Clearing Member is a party);
 - (ii) is permitted by the Clearing Member to have access to any system or interface of any Market, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform or the Clearing House which relates to Clearing by that Clearing Member for such Customer or client and which is used for the enriching of data held by the Clearing House relating to Contracts, the post-trade management of Contracts, allocations from one Clearing Member to another Clearing Member under Rule 401(a)(viii) or Rule 401(e), the transfer of Contracts between any Proprietary Account or Customer Account or between different Proprietary Accounts or Customer Accounts (or any sub-account of any of the foregoing) of a Clearing Member, position transfers, novations or assignments under Rule 408(a), the service of any notice, the exercise or abandonment of any Option, the closing-out, expiry or termination of any Future or the netting, combining or offsetting of any Contract recorded in a particular account;
 - (iii) is nominated by an F&O Clearing Member as a Transferee or Transferor for purposes of delivery under an F&O Contract; or
 - (iv) is otherwise duly appointed to carry out such conduct as an agent of the Clearing Member.

If a Customer or client of a Customer or any of their Representatives would have breached the Rules in respect of any instance listed in (i), (ii), (iii) or (iv) above if it were a Clearing Member, then such Customer, client or Representative or their Clearing Member may be subject to disciplinary proceedings, in which Rule 1003~~(ut)~~ applies. The application of this Rule 102(j) to Customers of CDS Clearing Members (acting in such capacity) is excluded in Rule 1516(b). This Rule 102(j), in as much as it is relevant to conduct relating to FX Data, is subject to the provisions of Rule 1708(a).

In addition, a Clearing Member, Sponsor or Sponsored Principal shall be bound by and responsible for any conduct of or by any of the following Persons (including for purposes of disciplinary proceedings under Part 10):

- (A) the Clearing Member, Sponsor or Sponsored Principal itself (including its employees, officers, directors or partners); and
 - (B) the Clearing Member's, Sponsor's or Sponsored Principal's Representatives (excluding Customers and their Customers' clients), as if such conduct were the conduct of the Clearing Member, Sponsor or Sponsored Principal itself (but this provision shall not, for the avoidance of doubt, apply to determine any liability of a Clearing Member, Sponsor, Sponsored Principal or Defaulter for losses of the Clearing House or any of its Affiliates or any Market or any of their officers, directors or employees, committees (or any individual committee member), which liabilities are governed solely by Rule 111 and Rule 905(f)).
- (k) Pursuant to Rule 102(f), a Clearing Member's liability under clause 3.5 of the Clearing Membership Agreement shall be limited by Rules 102(j) and 1516(b), as applicable.
 - (l) Any capitalised term used in these Rules that is not defined in Rule 101 or elsewhere herein shall have the meaning given to it (in order of priority) in the Procedures, the Clearing House's standard form Clearing Membership Agreement, the Clearing House's standard form Sponsored Principal Clearing Agreement, the Clearing House's standard form Sponsor Agreement and any relevant Market Rules.
 - (m) Each of the Rules shall, unless the context otherwise requires, be construed as an independent provision and shall be in addition and without prejudice to any other provision of the Rules.
 - (n) If any provision of these Rules (or part of any provision) is found by any court or other Governmental Authority to be invalid, illegal or unenforceable, that provision or part-provision shall, to the extent required, be deemed not to form part of the Rules, and the validity, legality or enforceability of the other provisions of these Rules shall not be affected.
 - (o) The Rules, together with the applicable Clearing Membership Agreement, and other documents listed in Rule 102(f) that are given contractual force pursuant to these Rules, (other than the Standard Terms and Settlement and Notices Terms), form a contract between the Clearing House and each Clearing Member. In the case of a Clearing

Member that is also a Sponsor, certain provisions of the Rules, together with the applicable Sponsor Agreement, and other documents given contractual force pursuant to these Rules, form a contract between the Clearing House, each Sponsor acting in its capacity as such and each Sponsored Principal for which such Sponsor acts. The Rules, together with the applicable Sponsored Principal Clearing Agreement (if any) and other documents given contractual force pursuant to these Rules, also form a contract between the Clearing House, each Sponsored Principal and the Sponsor for that Sponsored Principal. All obligations of the Clearing House hereunder are solely to Clearing Members, Sponsors and Sponsored Principals. No Person other than the Clearing House has any obligation to Clearing Members, Sponsors or Sponsored Principals pursuant to these Rules except as expressly provided in any provisions of these Rules, the Procedures, any of the Standard Terms or the Settlement and Notices Terms purporting to create or define rights and obligations as between Clearing Members or Sponsored Principals or between Clearing Members and their Customers (each a "**Bilateral Obligation**"). Subject to any Bilateral Obligation in respect of which the relevant Clearing Members, Sponsored Principals or Customers (as applicable) shall have the right to enforce the relevant provisions of these Rules, Procedures, Standard Terms or Settlement and Notices Terms against one another, and except as provided in Rule 102(v) and Rule 1903(j), no Person shall have any right pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of these Rules or the Procedures.

- (p) Any matter or right stated to be in, of or at the Clearing House's discretion shall be subject to the Clearing House's sole, unfettered and absolute discretion and such discretion may be exercised at any time. Where there is a provision that the Clearing House (or its Directors, officers, employees or committees (or any individual committee member)) may make further directions upon or in relation to the operation of a Rule or may make or authorise any arrangement, direction or procedure thereunder, the Clearing House may make such direction or make or authorise such arrangement or procedure in relation to or under the whole or any part of the Rule and may make or authorise different directions, arrangements or procedures in relation to different Persons and may make or authorise such directions, arrangements or procedures generally or in relation to a particular Person or particular occasion and in all cases subject to such conditions as it may think fit. Any action taken at the discretion of the Clearing House may not be challenged by any Person (subject to the requirements of Rule 111(c) and the right of such Person to make a complaint pursuant to the Complaint Resolution Procedures or Part 10).
- (q) Without prejudice to the requirements of any Applicable Laws including, but not limited to, those relating to clients' money made under sections 138 and 139 of the FSMA and notwithstanding any other provision of these Rules, nothing in these Rules shall have the effect of enabling, requiring or implying that any Margin or other amounts ~~deposited~~ transferred to the Clearing House in relation to a Clearing Member's or Defaulter's:
- (i) Customer Account of any class be used to meet a loss or shortfall on any of that Clearing Member's or Defaulter's Proprietary Accounts;

Customers, Sponsored Principals, Sponsors, Accounts, Margin, Transactions, Contracts, past or current Open Contract Positions, deliveries and settlement. ~~All information received or held by the Clearing House~~

(b) The following information received or held by the Clearing House shall be held in confidence by the Clearing House and shall not be made known to any other Person, subject to paragraph (c):

- (i) information received or held by the Clearing House concerning Transactions, Contracts or past or current Open Contract Positions ~~carried by~~ held with the Clearing House;
- (ii) information concerning or positions with any other Clearing Organisation for a Clearing Member or Sponsored Principal or relating to any Customer; ~~or;~~
- (iii) information concerning Margin payments between the Clearing House or any other Clearing Organisation and a Clearing Member or Sponsored Principal ~~or concerning deliveries made by or to a Clearing Member or any of its Transferors or Transferees or,~~ including in relation to a Customer;
- (iv) information concerning deliveries made by or to a Clearing Member or any of its Transferors or Transferees;
- (v) any financial statements filed with the Clearing House by any Clearing Member or Sponsored Principal; or
- (vi) any other information relating to a Clearing Member, Sponsored Principal, Sponsor or Customer provided by a Clearing Member, Sponsored Principal, Sponsor or Customer to the Clearing House at the Clearing House's request, or pursuant to the Rules or Applicable Laws ~~shall be held in confidence by.~~

(c) Subject, at all times to Applicable Laws, the Clearing House ~~and shall not be made known to any other Person except that each Clearing Member, Sponsored Principal, Sponsor and Customer hereby consents to the Clearing House making~~ may, notwithstanding Rule 106(b), make the following disclosures of confidential information, subject to such terms and conditions as the Clearing House may from time to time deem appropriate:

- (i) to a Regulatory Authority or Governmental Authority where a lawful request is ~~formally~~ made to the Clearing House by or on behalf of the same or pursuant to Applicable Laws or where disclosure is required under Applicable Laws or is necessary for the making of a complaint or report under Applicable Laws for an offence alleged or suspected to have been committed under Applicable Laws;
- (ii) in the case of a breach by a Clearing Member or Sponsored Principal of: (A) any clearing membership criteria established by the Clearing House, whether as a breach of Rule 202(a)(iv) (including as applied to Sponsored Principals pursuant to Rule 1901(k)) or otherwise; or (B) in the case of a Clearing Member, such

Clearing Member's obligation to publicly disclose prices and fees associated with the clearing services it provides and/or its obligation to provide Customers with separate access to each specific service it provides; to the public, subject to any decision made by any Regulatory Authority pursuant to article 38(5) of EMIR;

- (iii) pursuant to ~~an~~any Applicable Law, including any order of a competent court or other Governmental Authority or otherwise to such other Persons, at such times and in such manner as may be required by Applicable Law;
- (iv) to any member of the ICE Group, any Exchange or Clearing Organisation and any of their or the Clearing House's Representatives, committees, experts, Delivery Facilities, auditors, advisers or lawyers including (without limitation) for audit, compliance, making or taking delivery, market surveillance or disciplinary purposes, for the purposes of an arbitration pursuant to Rule 117 or any proceedings in support of such an arbitration, or in relation to any possible or actual Event of Default or the termination or suspension of any clearing membership;
- (v) to any Person in the business of providing data processing or similar services for the purposes of performing computations or analysis, or of preparing reports or records, for the Clearing House;
- (vi) to any Person who has provided or is considering entering into a loan, insurance policy, guarantee or other financial arrangement with the Clearing House or any of its Affiliates, provided that information identifying the positions or name of a Clearing Member or any of its accounts or the name of any of a Clearing Member's Customers will not be so disclosed, except, in the case of a Clearing Member and its accounts only, as is necessary to respond to any enquiries of such a Person concerning the Clearing House's or any of its Affiliates' potential losses or exposures relating to an Event of Default (whether or not declared);
- (vii) to the Secretary of State, any Insolvency Practitioner and any other authority or Person having responsibility for any matter arising out of or connected with an Event of Default;
- (viii) in the case of information relating to any Transaction or Contract (including details of the parties thereto and related Margin), to Deriv/SERV, a Repository or Governmental Authority for purposes of transaction reporting;
- (ix) to any Person or to the public as a result of its complaints procedure or disciplinary proceedings;
- (x) to any Person if the information comes into the public domain, other than as a result of a breach of this Rule by the Clearing House or its Representatives;
- (xi) in the case of information concerning any Individually Segregated Sponsored Account, to the Sponsor or Sponsored Principal in respect of such Account;

- (xii) in the case of information concerning any Customer, to any Clearing Member with a relationship with such Customer in respect of one of its Customer Accounts;
 - (xiii) otherwise with the written consent of the Person or Persons to whom the confidential information relates; or
 - (xiv) pursuant to any obligation on the Clearing House or a Market under the rules or terms of a Delivery Facility or as is needed to comply with any obligation or to exercise any right under these Rules.
- (d) ~~(b)~~ Clearing Members, Sponsored Principals, Sponsors and Customers are given notice that the Clearing House is subject to section 348 (Restrictions on disclosure of confidential information by the FCA / PRA etc.) and regulations made under section 349 (Exemptions from section 348) of the FSMA. Clearing Members, Sponsored Principals, Sponsors and Customers shall be deemed to consent to any use, disclosure or non-disclosure of information by the Clearing House that is required or permitted pursuant to Applicable Law.
- (e) ~~(c)~~ The Clearing House is a Controller in relation to Personal Data provided to it by Clearing Members, Sponsored Principals, Customers and their Representatives. Each Clearing Member and Sponsored Principal shall ensure that in respect of any Personal Data that it provides to the Clearing House it has a lawful basis for processing the relevant Personal Data in this manner.
- (f) ~~(d)~~ In this Rule 106 only, the terms "Control" (and derivations thereof), "Process" (and derivations thereof), "Personal Data" and "Controller" each have the meaning given to such terms in Regulation (EU) 2016/679 (General Data Protection Regulation) (including any relevant implementing measure or successor legislation thereto).
- (g) ~~(e)~~ Each Clearing Member, Sponsored Principal and the Clearing House:
- (i) acknowledges that the recording of telephone conversations between the trading, clearing and other relevant personnel of the Clearing Member or Sponsored Principal and the Clearing House or their Group Companies in connection with the Rules and any Contract, potential Contract or Transaction will take place to the extent permitted or required under Applicable Law;
 - (ii) acknowledges, to the extent permitted by Applicable Law, that recordings may be submitted in evidence in any Dispute; and
 - (iii) acknowledges that the remainder of this Rule 106 shall apply to any such recordings made by the Clearing House.

Rule 107 *Conversion to other Eligible Currency*

The Clearing House shall be entitled to direct Approved Financial Institutions to convert any cash standing to the debit or credit of any Clearing Member or Sponsored Principal into such

provided that, in any such case, the requirements of sections 300A to 300E of the FSMA or article 10(4) of the Settlement Finality Regulations would not prevent such Rule Change from being made.

- (c) In relation to the determination of an Event of Default, a Force Majeure Event or a Financial Emergency pursuant to Rule 109(b)(iv) or, in relation to a Force Majeure Event only, Rule 112(b), or in relation to an approval of Invoicing Back under Rule 104(a), in the event that the Clearing House is unable to convene a meeting of the Board sufficiently promptly in the circumstances, any [Director](#), officer, [employee or committee \(or any individual committee member\)](#) of the Clearing House designated by the Board from time to time for purposes of the applicable determination or approval may make such determination or approval, as the case may be, provided that the Clearing House shall convene a meeting of the Board as soon as practicable thereafter to ratify such determination or approval, rescind such determination or approval (only where, if rescission is desired, this is possible and practicable) or, where rescission is desired but not possible and practicable, to amend such determination or approval as appropriate.
- (d) In cases other than those described in Rule 109(b), prior to any proposed Rule Change taking effect, the Clearing House will either: (i) issue a consultation paper by Circular or (ii) consult with a smaller number of Clearing Members selected by the Clearing House at its discretion. In cases where this Rule 109(d) applies, the Clearing House will seek to provide at least 14 days from the date of the relevant Circular for Persons to respond to the consultation. The contents of responses and the names of Persons who respond to any consultation may be made publicly available by the Clearing House, unless the Clearing House receives a request to the contrary by a Person making a response. If the Clearing House receives any such requests for confidentiality or anonymity, the Clearing House may state that an anonymous response was made and may make public a summary of the contents of any response but the response will otherwise be subject to Rule 106. Clearing Members are encouraged, where appropriate, to inform their Customers and Sponsored Principals for whom they act as Sponsor of proposed Rule Changes.
- (e) The Clearing House may at any time amend the Procedures, subject to any processes established pursuant to documents governing the internal governance of the Clearing House and its committees. Any such amendment shall have immediate effect or shall take effect at such time as is specified by the Clearing House. The Clearing House will issue a Circular in respect of any amendment to the Procedures.
- (f) The Clearing House may issue, amend or revoke interpretative Guidance in relation to any aspect of the management of the Clearing House, its action under these Rules or the conduct of business of the Clearing House, Clearing Members, Sponsored Principals or Customers at any time at its discretion and without prior consultation.
- (g) The Clearing House may issue Circulars or amend or revoke the contents of Circulars in connection with Clearing, the Rules or any action taken by it under the Rules at any time at its discretion and without prior consultation.

which is to be determined in any case pursuant to documents governing the internal governance of the Clearing House and its committees.

Rule 110 *Extension or Waiver of Rules*

- (a) The performance by any Clearing Member or Sponsored Principal of any of its obligations under the Rules or any Contract may be waived by the Clearing House whenever in its discretion it considers that such waiver is necessary or in the best interests of the Clearing House. [Waivers or variations of requirements may be publicised at the discretion of the Clearing House.](#)
- (b) Subject to Rule 110(c) and (g), the time fixed by the Rules for filing any report or other document, for submitting any information or for making transfers, ~~deposits~~ or payments may be extended by the Clearing House whenever in its discretion it considers that such extension is necessary or in the best interests of the Clearing House. Any such extension may continue in effect after the event or events giving rise thereto.
- (c) Any extension of the time for making transfers, ~~deposits~~, payments or performance for any length of time longer than 3 Business Days after such transfer, ~~deposit~~, payment or performance is due must be approved by the Clearing House in advance by an affirmative vote of the Board at a quorate meeting, at which meeting the facts giving rise to the proposed use of this provision will be considered and the meeting shall decide whether it would be appropriate to use this power, and provided further that the use of this power will be undertaken subject to any processes established pursuant to documents governing the internal governance of the Clearing House and its committees.
- (d) Any waiver of any right or consent given by the Clearing House under these Rules is only effective if it is in writing, applies only in the circumstances for which it is given and shall not prevent the Clearing House from subsequently relying on the relevant provision. No delay or failure to exercise by the Clearing House of any of its rights or pursuing any of its remedies hereunder shall constitute a waiver. No single or partial exercise of any right or remedy by the Clearing House shall prevent any further exercise of the same or any other right or remedy.
- (e) If any extension of any length of time is approved in respect of any payment, ~~deposit~~, transfer or performance under this Rule 110, any notice given to the Clearing House prior to the end of such extension period shall be deemed not to have been given.
- (f) The Clearing House shall be entitled without breach of these Rules to delay the making of a payment to any Clearing Member or Sponsored Principal in respect of a Variation Margin or Mark-to-Market Margin call in respect of all or any of a Clearing Member's or Sponsored Principal's accounts on an intra-day basis without following the procedure set out in Rule 110(a) to (e) in circumstances in which:
 - (i) another Clearing Member or Clearing Members or Sponsored Principal or Sponsored Principals has or have been or will be asked to make payment in

respect of a Variation Margin or Mark-to-Market Margin call occurring at or around the same time;

- (ii) that other Clearing Member or Sponsored Principal has, or those other Clearing Members or Sponsored Principals have failed to pay the Clearing House (which term for purposes of this Rule 110(f) and Rule 503(k) includes a request for payment or planned request for payment not yet being made, confirmed or due including for technical or operational reasons); and
 - (iii) the total amount of such failure or failures to pay exceeds the Original Margin, Initial Margin or FX Original Margin for each Proprietary Account or Customer Account to which the unpaid call relates provided by the Clearing Member or Clearing Members or Sponsored Principal or Sponsored Principals that has or have failed to pay the Clearing House.
- (g) No right of the Clearing House under this Rule 110 shall be exercised so as to extend the time at which a payment in any currency to any Clearing Member in respect of Variation Margin or Mark-to-Market Margin is otherwise due on any Business Day, in respect of all or any of a Clearing Member's accounts, beyond the time ~~immediately prior to the~~of commencement of the daily payment cycle for the relevant currency for the next ~~following~~Business Day (or, where the Externalised Payments Mechanism is applicable, the relevant time when the payment would be made on the next Business Day).

Rule 111 *Liability*

- (a) Each Clearing Member shall indemnify and hold harmless the Clearing House against any and all losses, liabilities, damages, injuries, costs, claims, shortfalls and expenses (excluding any consequential losses, liabilities, damages, injuries, costs, claims, shortfalls or expenses) incurred or suffered by the Clearing House or any of its ~~officers or employees~~Directors, officers, employees, or committees (including any individual committee member, but only in so far as that Person is acting in the capacity of a committee member) arising out of or in connection with any of the following:
- (i) a breach (or an allegation made by the Clearing House or any Governmental Authority of a breach) by such Clearing Member of any of its obligations under these Rules, the Procedures, its Clearing Membership Agreement, a Sponsor Agreement or any Contract;
 - (ii) such Clearing Member's conduct (excluding conduct attributed to a Clearing Member solely as a result of the conduct of a Customer under Rule 102(j)), excluding conduct which the Clearing Member is obliged to perform and has performed in accordance with the Rules or Procedures or its Clearing Membership Agreement or Sponsor Agreement;
 - (iii) a breach by such Clearing Member of any Customer-CM Transaction, agency relationship or other contract with its Customer or a failure to perform by such Clearing Member in breach of any other obligation to such Customer (including, without limitation, any failure by such Clearing Member in whole or in part to

pass on or credit to any Customer equivalent performance under a Customer-CM Transaction or other contract with its Customer to that which such Clearing Member has received under a Customer Account Contract from the Clearing House where such failure constitutes a breach or failure to perform as aforementioned);

- (iv) if it is a CDS Clearing Member, a Customer-CM Relationship Claim (as defined at Rule 111(i) below) in respect of a breach or failure to perform alleged by a Customer of the CDS Clearing Member acting in such capacity but only to the extent that (A) the Indemnifying CM (as defined at Rule 111(i) below) has elected to defend against, negotiate or settle the Customer-CM Relationship Claim in accordance with Rule 111(i)(ii) below; (B) the Customer-CM Relationship Claim has been resolved; and (C) the Clearing House has been unable to recover from the Customer any or a portion of any losses, liabilities, damages, injuries, costs and expenses (excluding any consequential losses, liabilities, damages, injuries, costs or expenses) it has incurred or suffered in respect of that Customer-CM Relationship Claim; in which case the Indemnifying CM shall indemnify the Clearing House only for the portion of the indemnifiable amounts not recovered from the Customer;
- (v) except in respect of a CDS Clearing Member acting in that capacity: (A) any claim made or alleged against the Clearing House by, or any liability of the Clearing House to, an Eligible Person (as defined in the relevant Clearing Membership Agreement), Transferor, Transferee or Customer of that Clearing Member; or (B) such Clearing Member's conduct to the extent that the same is not covered by Rule 111(a)(ii); or
- (vi) a breach (or an allegation made by the Clearing House or any Governmental Authority of a breach) by the Clearing Member of any Applicable Law,

provided that a Clearing Member shall not indemnify or hold harmless the Clearing House or any of its [Directors](#), officers ~~or~~, employees [or committees \(or any individual committee member\)](#) to the extent that any such loss, liability, damage, injury, cost or expense arises out of or in connection with:

- (A) a breach by the Clearing House of any of its obligations under these Rules, the Procedures or any Contract;
- (B) fraud, bad faith, gross negligence or wilful misconduct by the Clearing House or any of its [Directors](#), officers ~~or~~, employees [or committees \(or any individual committee member\)](#); or
- (C) personal injury or death resulting from negligence, recklessness or an intentional act or omission of the Clearing House or any of its [Directors](#), officers ~~or~~, employees [or committees \(or any individual committee member\)](#).

Agreement, any Sponsor Agreement or any Contract shall affect the right of the Clearing House to serve process in any other manner permitted by Applicable Law.

Rule 114 *Action by the Clearing House*

- (a) Except as otherwise specifically set out herein, any action permitted or required to be taken by the Clearing House may be taken by the Board, the Chairman, the President, any other ~~Board member~~Director or any other employee, officer or committee (or any individual committee member) to whom or which authority has been delegated by the Clearing House, the Board, the Chairman, the President or any committee.
- (b) Where there is a provision to the effect that an action may be taken or power exercised by the Clearing House, any action taken or power exercised by the Clearing House shall be without prejudice to the right of the Clearing House to exercise such powers and take such other steps (or not as the case may be) as it may think fit upon that or any other occasion.
- (c) The Clearing House may outsource operational functions, services or activities. If it does so, this shall not affect the Clearing House's responsibilities and liabilities under these Rules, any Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement or Applicable Laws.
- (d) In the interests of the proper functioning of the Clearing House and its Clearing-related functions, the Clearing House may take any measure it deems reasonably necessary in relation to the organisation and the operation of the Clearing House taking all relevant circumstances into account, whether or not these measures are set out in these Rules, provided that the Clearing House may not take any measure under this Rule 114(d) that would constitute a breach of any provision of these Rules or the Procedures or that would modify any provision of these Rules or the Procedures and provided further that any exercise of its rights under this Rule 114(d) must take place in accordance with the relevant documents governing the internal governance of the Clearing House and its committees.

Rule 115 *Relations with Governmental Authorities and other Persons*

- (a) With a view to maintaining its statuses referred to in Rule 102(r), the Clearing House may:
 - (i) make arrangements with any Person for monitoring compliance with and investigating alleged breaches of the Rules (and arrangements, Procedures and directions made, authorised or given thereunder); and
 - (ii) co-operate generally with any Governmental Authority.

- (b) Without prejudice to the generality of Rule 115(a), and subject to Rule 106:
- (i) this may include making arrangements for the sharing of information with Governmental Authorities; and
 - (ii) the Clearing House may, where appropriate, at any time refer a complaint or any other matter coming to its attention to one or more Exchanges, Clearing Organisations or Regulatory Authorities for its or their comment or investigation and may, pending the result of such reference, either suspend or continue with (in whole or in part) its own investigation, proceedings or other actions.

Rule 116 *Opening Hours*

The Clearing House will give notice of any changes to its Opening Days, Opening Hours and Business Days from time to time by Circular.

Rule 117 *Dispute Resolution*

- (a) Any Dispute between the Clearing House and the Clearing Member(s) that is not subject to the procedures of Part 10 of these Rules or the Complaint Resolution Procedures shall be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated into this Rule 117. In the event of a conflict between any provision of the LCIA Rules and this Rule 117, this Rule 117 shall prevail.
- (b) The seat of arbitration will be London and the language of the arbitration proceedings shall be English.
- (c) The Tribunal will comprise three arbitrators appointed by the LCIA Court. The LCIA Court shall nominate one of the arbitrators to act as the chairman of the Tribunal. The members of the Tribunal will be persons considered by the LCIA Court in its discretion to have experience with respect to the subject matter of the Dispute. Tribunal members shall not be current or former employees or directors of any Clearing Member that is a party to the arbitration, current or former employees of the Clearing House or any person or persons with a material interest or conflict of interest in the outcome of the Dispute.
- (d) The Tribunal shall have the power on the application of any party to an existing arbitration, to require one or more Clearing Members to be joined to an existing arbitration. Each Clearing Member agrees that it may be joined as an additional party to an arbitration involving the Clearing House and another Clearing Member.
- (e) If more than one arbitration is begun under these Rules and the Clearing House or a Clearing Member that is a party to an arbitration so concerned serves notice upon the Tribunals concerned that it believes two or more arbitrations are substantially related and that the issues should be heard in one set of proceedings, the Tribunal appointed in the first-filed of such proceedings shall have the power to determine whether, in the interests of justice and efficiency, the proceedings should be consolidated and heard together before that Tribunal.

- (f) In the case of such joinder or consolidation, the Tribunal shall make a single, final award determining all Disputes between the relevant parties in those proceedings. Each Clearing Member and the Clearing House irrevocably waives any right to challenge any award or order of any Tribunal by reason of the fact that it arises from a joined or consolidated arbitration. In addition to the waiver of challenge on the basis of joinder set out in clause 8.5 of the Clearing Membership Agreement, each Clearing Member and the Clearing House hereby irrevocably waives any right to challenge any award or order of any tribunal appointed under the Clearing Membership Agreement by reason of the fact that it arises from a consolidated arbitration.
- (g) The award of the arbitral Tribunal will be final and binding on the Clearing House and any Clearing Member from the day it is made. Judgment upon the award may be entered or the award enforced through any other procedure in any court of competent jurisdiction.
- (h) No arbitral proceedings under this Rule 117 may be instigated where arbitral proceedings could have been instigated in respect of the same Dispute under Market Rules.
- (i) The provisions of this Rule 117 may not be varied by any Clearing Member or Clearing Members save where each Clearing Member that is a party to the Dispute or arbitration proceedings and the Clearing House agree in express written terms.
- (j) The commencement of any arbitral proceedings shall be without prejudice to and shall not limit in any way the right of the Clearing House to instigate any procedure under Part 9 or Part 10 of these Rules, including without limitation in relation to any Event of Default, any investigation, disciplinary proceedings or the imposition of a sanction.
- (k) Each Clearing Member that now or hereafter has a right to claim sovereign immunity from suit or sovereign immunity from enforcement for itself or any of its assets shall be deemed to have irrevocably waived any such immunity to the fullest extent permitted by Applicable Laws. Such waiver shall apply in respect of any immunity from:
- (i) any proceedings commenced pursuant to this Rule 117;
 - (ii) any judicial, administrative or other proceedings to aid an arbitration commenced pursuant to this Rule 117; and
 - (iii) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from any judicial or administrative proceedings commenced pursuant to this Rule 117.
- (l) The rights and obligations of a Clearing Member under the Rules and in relation to any Contract are of a commercial and not a governmental nature.
- (m) No Clearing Member shall raise or in any way whatsoever assert a defence of sovereign immunity in relation to any claim or enforcement proceedings arising from a Dispute under these Rules.

Part 2 Clearing Membership

This Part 2 does not apply to Sponsored Principals save to the extent expressly set out in Part 19.

Rule 201 *Clearing Membership Criteria*

- (a) In order to attain and maintain membership as a Clearing Member, a Person must, at a minimum, as from the date on which it is proposed that it becomes a Clearing Member:
- (i) have paid the Clearing House's (non-refundable) application fee (if applicable) and provided completed membership application forms;
 - (ii) (if proposing to become a Clearing Member in relation to F&O Transactions) be a member of each relevant Market that it wishes to clear;
 - (iii) (if proposing to become a Clearing Member in relation to ICE Endex UK Transactions) each Clearing Member's Transferor and Transferee must: (A) be a member of ICE Endex UK or have other adequate arrangements in place to enable the Clearing Member, effectively and promptly, to manage the default of its Transferors and Transferees for ICE Endex UK Transactions; (B) be a User (as such term is defined in the Network Code); and (C) where a Clearing Member's Transferor or Transferee is not a Trader User, hold a Gas Transporter's Licence or a Shipper's Licence (as such terms are defined in the Network Code), which in either case is in force with no notice of revocation having been given in respect of such designations;
 - (iv) (if proposing to become a Clearing Member in relation to ICE Endex Spot Market Transactions) each Clearing Member's Transferor and Transferee must: (A) be a member of ICE Endex Spot Market or have other adequate arrangements in place to enable the Clearing Member, effectively and promptly, to manage the default of its Transferors and Transferees for ICE Endex Spot Market Transactions; and (B) be a Licensed Shipper (as defined in the Delivery Procedures), with no notice of revocation having been given in respect of such designations;
 - (v) be a user of or otherwise have access to at least one Repository (if any) for the Contracts it proposes to clear where such Contract is required to be reported to a repository under Applicable Law;
 - (vi) have nominated a Person, satisfactory to the Clearing House, who ~~is~~: (A) is a director, general partner, trustee or officer of the applicant (or Person occupying a similar status or performing similar functions); (B) is responsible for the clearing operations of the applicant; and (C) is authorised to act on behalf of the applicant in all transactions with or involving the Clearing House; and (D) has all authorisations, registrations, licences, permissions, non-objections, consent or approvals required under Applicable Law in any jurisdiction in order to act as a representative for the relevant Clearing Member's business in connection with the Clearing House, and have nominated a second Person who meets the requirements of (A) to (D) above and who is authorised to act on behalf of the

applicant in the event of the death, incapacity or other inability of the first Person to so act;

- (vii) maintain and, where applicable, procure that all of its Designated Controllers maintain, sufficient Capital in accordance with Rule 206;
- (viii) where a Controller Guarantee is or is to be provided by a Designated Controller, procure that the Controller Guarantee is executed in such form and delivered in such manner as the Clearing House may prescribe from time to time;
- (ix) be party to a Clearing Membership Agreement with the Clearing House;
- (x) have in place all necessary regulatory authorisations, licences, permissions and approvals in its country of origin, the UK and any other jurisdiction in which it conducts business;
- (xi) be fit and proper, have sufficient qualities of financial, [compliance and managerial responsibility](#), operational capacity, business integrity, reputation and competence as the Clearing House, in its discretion, considers necessary or appropriate and satisfy the Clearing House that its directors, officers and Controllers also satisfy such tests, [including having adequate segregation of front and back office functions and adequate back office and compliance support, as required under Applicable Laws](#);
- (xii) satisfy the internal stringent credit criteria established by the Clearing House, such satisfaction to be confirmed by an examination of its books and records; provided further that this requirement may, at the discretion of the Clearing House, be met by a Controller of the Clearing Member if such Controller provides a guarantee in accordance with the Finance Procedures;
- (xiii) have such facilities, equipment, operational capability, personnel, hardware and software systems as are capable of supporting the proper performance of its business as a Clearing Member, including such IT links to the Clearing House and software as in the judgment of the Clearing House are necessary or desirable;
- (xiv) have in place business continuity procedures ~~that satisfy the~~ [to enable it to meet its obligations as a Clearing Member](#); ~~House's minimum requirements~~;
- (xv) have a sufficient level of knowledge about the types of Contracts that it intends to clear and any risks involved in relation to the same;
- (xvi) have demonstrated its ability to make available to the Clearing House sufficient Margin and make Margin payments as required pursuant to these Rules;
- (xvii) have made the required Guaranty Fund Contributions;
- (xviii) not be subject to an Insolvency or Unprotected Resolution Step;

- (xix) demonstrate operational competence in respect of the classes of contracts that it proposes to clear;
- (xx) be an "eligible contract participant", as defined in Section 1a of the U.S. Commodity Exchange Act;
- (xxi) if it is not incorporated in England and Wales, have appointed an agent for the service of process pursuant to Rule 113(e);
- (xxii) if it is to provide a Controller Guarantee from a Controller that is not incorporated in England and Wales, have appointed an agent for the service of process in respect of the Controller following the same provisions as are applicable to Clearing Members pursuant to Rule 113(e);
- (xxiii) if it is to clear transactions on behalf of Customers, have the necessary additional financial resources and operational capacity to perform this activity;
- (xxiv) not be subject to any circumstances pursuant to which an Event of Default could be declared were the applicant to be a Clearing Member;
- (xxv) have provided details of an office which is staffed during normal business hours and sufficient for its proposed activities as a Clearing Member under the direct supervision and responsibility of an executive [director or other executive](#) officer of the Clearing Member (who need not be physically located at such office) to which all notices, orders and other communications from the Clearing House may be transmitted or delivered;
- (xxvi) satisfy the Clearing House that it, its officers, directors, [relevant employees](#) and Controllers [are fit and proper and](#) would each meet the requirements for an 'approved person' (for individuals) or 'controller' (for partnerships, companies and other bodies corporate) under applicable FCA Rules and PRA Rules;
- (xxvii) hold a Nominated Bank Account or Accounts (as necessary) at ~~an~~[one or more](#) Approved Financial Institution ~~or Institutions~~ in relation to each of which a direct debit mandate has been established in favour of the Clearing House; [and satisfy the Clearing House of the adequacy of its contingency banking arrangements in the event of an Insolvency or failure to pay or default of an Approved Financial Institution which affects the operation of a Nominated Bank Account or Accounts or a Clearing House Account;](#)
- (xxviii) if non-cash assets are to be used as Permitted Cover, have executed all necessary documentation relating to the transfer of such assets and not be in dispute with the Clearing House in relation to the ownership over or rights relating to such non-cash assets;
- (xxix) either (A) be a Person in respect of whom 'simplified due diligence' may be applied pursuant to the Money Laundering Regulations 2007; or (B) have been

subject to customer due diligence measures under the Money Laundering Regulations 2007 to the Clearing House's satisfaction;

- (xxx) not be prevented from entering into any Contract or using the Clearing House as a result of any Sanctions affecting the Clearing Member (except, if it is a CDS Clearing Member incorporated in Germany and solely in respect of CDS business, solely to the extent that any obligation, or undertaking, representation or statement contemplated by this Rule 201(a)(~~xxxiv~~xxx) would be in conflict with any Applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts);
 - (xxxi) be incorporated or registered in and access the Clearing House from only jurisdictions whose Applicable Laws relating to Insolvency, Resolution Steps, the regulation of clearing houses, Markets or central counterparties, the enforceability of Contracts and the Rules and such other matters as the Clearing House specifies are acceptable to the Clearing House (and an applicant may be required to supply a legal opinion of external counsel, addressed to the Clearing House, addressing such issues, at its cost); and comply with any additional restrictions or requirements imposed by the Clearing House as a result of activities in any such jurisdictions; and
 - (xxxii) not be subject to statutory disqualification under Applicable Law.
- (b) The Clearing House may at its discretion attach further objective conditions to any application for Clearing Member status prior to such status being granted, provided that such additional conditions are proportional to the risk brought by the applicant. The Clearing House may grant approval to an applicant conditional upon satisfying certain requirements, provided that the applicant has expressed its intention to meet such requirements and provided evidence of its ability to do so.
 - (c) Applicants for membership must provide information or documentation to the Clearing House evidencing compliance (or lack thereof) with each of the criteria set out in or required pursuant to Rule 201(a), and for CDS Clearing Member applicants only, Rule 201(i), and, in addition, for FX Clearing Member applicants only, Rule 201(j). Failure by an applicant to supply such information or documentation may result in an application being rejected or Clearing Member status or access to particular services being revoked.
 - (d) All information supplied to the Clearing House in respect of an application for membership shall be deemed to have been provided by the Clearing Member to the Clearing House on the day on which that Clearing Member becomes a Clearing Member, save to the extent that such information has been amended or revoked at least two Business Days prior to membership being granted.
 - (e) If the Clearing House determines that an application for membership should be denied, the applicant will be given notice of such denial, with the membership criterion or criteria that were not met being specified. In such an event, the applicant may request an

Rule 202 *Obligations of Clearing Members*

- (a) In connection with these Rules, all and any Contracts, its membership of the Clearing House and its business and activities as a Clearing Member, each Clearing Member shall at all times:
- (i) comply with: (A) these Rules and any agreement with the Clearing House; and (B) for F&O Contracts, comply with Market Rules and any rules of or agreement with a Delivery Facility, as applicable or relevant to the F&O Contract;
 - (ii) comply with all Applicable Laws relating to its status and performance as a Clearing Member;
 - (iii) act in good faith in its dealings with the Clearing House;
 - (iv) continually satisfy the criteria for membership set out in or required pursuant to Rule 201(a) and, in addition, if it is a CDS Clearing Member, Rule 201(i), and, in addition, if it is an FX Clearing Member, Rule 201(j);
 - (v) respond promptly to any direction by the Clearing House to provide information or documentation;
 - (vi) maintain at least the amount of Capital required pursuant to Rule 206 (and, where the Capital requirements would not be met without a Controller Guarantee being provided, procure that each of its Designated Controllers is party to a Controller Guarantee that remains in force and maintains such amount of Capital as is required pursuant to Rule 206);
 - (vii) pay all fees and other charges when due in accordance with Part 3;
 - (viii) provide Margin and make Margin payments to the Clearing House in accordance with Part 3 and Part 5;
 - (ix) make all such payments to such Guaranty Funds as are required pursuant to Part 11;
 - (x) respond promptly to all enquiries or requests for information made by the Clearing House;
 - (xi) maintain accounts at an Approved Financial Institution for the ~~deposit of funds in Eligible Currencies required to be transferred~~ purposes of cash transfers to and from the Clearing ~~Member~~ House in Eligible Currencies pursuant to these Rules (whether by way of Margin, Guaranty Fund Contributions, fees, amounts due under Contracts or otherwise) and have arrangements with such Approved Financial Institutions satisfactory to the Clearing House for electronic transfer of funds into and out of such accounts as is required under the Rules and Procedures,

on the order of the Clearing House and without the need to seek the consent of such Clearing Member or any of its Customers;

- (xii) if it:
- (A) has a place of business or establishment in any member state of the European Economic Area;
 - (B) is to have a Customer Account or act as a Sponsor in respect of an Individually Segregated Sponsored Account; and
 - (C) is a credit institution or financial institution (as defined in the Money Laundering Directive) or otherwise is a person falling under article 17(2) of the Money Laundering Regulations 2007 (or the equivalent provision implementing the Money Laundering Directive in a member state other than the UK):

consent to any Transferee Clearing Member and the Clearing House relying upon its customer due diligence in relation to all of its Customers, Disclosed Principal Members, Sponsored Principals and all other "beneficial owners" (within the meaning of article 3(6) of the Money Laundering Directive) in respect of any Contracts entered into in respect of Customer business, Margin and Contracts recorded in one of its Customer Accounts (or an Individually Segregated Sponsored Account for which it acts as Sponsor) or any other collateral subject to the Default Portability Rules, such consent only to be relied upon in the event of the Clearing Member becoming a Defaulter and the Default Portability Rules being applied;

- (xiii) if the Clearing House at its discretion so directs, allow formal audits or system tests of its operations related to its business with the Clearing House during reasonable business hours and on reasonable notice no more than twice annually, at the expense of the Clearing Member;
- (xiv) have adequate systems and controls in place in order to ensure that:
- (A) its internal affairs are organised and controlled in a responsible and effective manner; including having adequate separation policies to mitigate concentration risk of critical business functions and compliance oversight in place to enable it to meet its obligations as a Clearing Member, adequate segregation of front and back office functions and adequate back office and compliance support, as required under Applicable Laws;
 - (B) it has adequate risk management systems and internal audit processes that are applied appropriately;
 - (C) its internal record-keeping is adequate;

for F&O, Segregated Customer Omnibus Accounts for FX, Standard Omnibus Indirect Accounts for CDS, Standard Omnibus Indirect Accounts for F&O and Standard Omnibus Indirect Accounts for FX, as well as each Individually Segregated Sponsored Account, Margin-flow Co-mingled Account and Segregated Gross Indirect Account which is treated by it as a client transaction account under CASS 7.18.;

(xxii) during and for two hours immediately after the end of Opening Hours on every Business Day, be (and have sufficient persons competent to act on behalf of the Clearing Member) accessible to the Clearing House; and

(xxiii) without prejudice to Rule 202(a)(xiii), give such other access to the Clearing House (or any Person appointed by it) to its premises, records and personnel (or those of its Affiliates or service providers) to conduct any inspection, investigation or audit and allow the Clearing House or such Person to take copies of the accounts, books, contracts and any other records or documents of the Clearing Member, in order to facilitate discharge of the Clearing House' regulatory obligations under Applicable Laws, in any case at the cost of the Clearing Member.

- (b) Prior to making available services relating to Clearing of CDS, F&O or FX to any Customer, a Non-FCM/BD Clearing Member is obliged to procure the agreement of such Customer to the CDS Standard Terms, F&O Standard Terms or FX Standard Terms respectively, in such a way that:
- (i) the relevant Standard Terms and/or Rules are duly cross-referenced (as being applicable to Customer-CM Transactions between such Customer and such Non-FCM/BD Clearing Member) in an agreement between the Non-FCM/BD Clearing Member and its Customer that has been duly executed and duly authorised by both of them; and
 - (ii) subject to Rule 202(c), the obligations of the Customer to the Non-FCM/BD Clearing Member and the Clearing House under the relevant Standard Terms constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable Insolvency laws and similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application and to other matters which are standardly excluded, restricted or qualified in legal opinions (regardless of whether enforcement is sought in a proceeding in equity or at law));~~and.~~
 - ~~(iii) automatic early termination does not apply under such agreement in respect of either the Non-FCM/BD Clearing Member or its Customer and the relevant Customer-CM Transactions (unless the party, or each of the parties, to which automatic early termination applies is incorporated in Switzerland, Germany or any other jurisdiction approved by the Clearing House for such purposes).~~

To the extent that it agrees to be bound by the Rules, a Customer of a Non-FCM/BD Clearing Member will be deemed to be bound by each set of relevant Standard Terms in such a manner. It is moreover intended that Customers and Non-FCM/BD Clearing Members each be bound to the Standard Terms (and any amendments to the Standard Terms) through acceptance by conduct as a result of their continued usage of the Clearing House. Neither a failure of documentary execution in accordance with this Rule 202 nor any breach of this Rule 202 is intended to preclude such acceptance by conduct.

(c) Where:

- (i) the governing law of the agreement between a Non-FCM/BD Clearing Member and its Customer incorporating the relevant Standard Terms and/or Rules is the law of any jurisdiction of incorporation of any Clearing Member; and
- (ii) each of the place of incorporation and relevant place of business of the Customer is the same as any jurisdiction of incorporation of any Clearing Member or any other jurisdiction specified for this purpose by the Clearing House,

the obligation in Rule 202(b)(ii) to procure that the obligations of the Customer under the relevant Standard Terms are of a legal, valid and binding nature and enforceable will be deemed to be satisfied and there shall be no obligation on such Clearing Member to carry out any further enquiry as regards enforceability of the relevant Standard Terms under Applicable Laws.

- (d) If the Clearing House so requests in writing and there are reasonable grounds for it making such a request, a Non-FCM/BD Clearing Member will execute any documentation specified by the Clearing House which confirms its agreement to any Standard Terms relating to Contracts it clears for its Customer or any amendment to any such Standard Terms made in accordance with such Standard Terms (either generally or in respect of any particular Customer).
- (e) Where a Customer of a Non-FCM/BD Clearing Member has agreed or is deemed to have agreed to the application of any Standard Terms as set out in Rule 202(b)-(c), the requirements of clause 3.2 of the Clearing Membership Agreement shall be deemed to have been satisfied by the Non-FCM/BD Clearing Member in respect of such Customer.
- (f) If a Controller Guarantee has been provided in favour of a Clearing Member, the Clearing Member to which the Controller Guarantee relates shall procure that the Controller:
 - (i) at all times complies with the requirements of Rule 201(a)(viii), Rule 202(a)(ii), Rule 202(a)(iii), Rule 202(a)(v), Rule 202(a)(vi), Rule 202(a)(x) and Rule 202(a)(xiii) as if the Controller were a Clearing Member, *mutatis mutandis*, and such provisions applied to the Controller's business;
 - (ii) would not breach any of the requirements of Rule 203, were the Controller to be a Clearing Member subject to the requirements of Rule 203, *mutatis mutandis*, and such provisions applied to the Controller's business; and

purposes of conducting its business and activities as a Clearing Member in accordance with these Rules; or (B) use any FX Data except for (1) internal purposes related directly to such Clearing Member's, its Affiliates' and Customers' and their clients' trading and clearing activity relating to FX Clearing at the Clearing House; or (2) licensing, sublicensing, transferring, transmitting, reproducing and/or distributing copies of FX Data to third parties in accordance with Rule 1708;

- (xii) engage in any other event or practice which has developed or is developing on the Clearing House and is reasonably considered by the Clearing House to be capable of impairing the orderly conduct of business of the Clearing House or affecting the timely delivery or settlement of Contracts;
- (xiii) represent or hold out to any Person that membership of the Clearing House brings with it any stamp of approval, special status, hallmark, regulatory supervision or approval or confers any rights or protections to Customers or any other Person in relation to the Clearing Member's business, policies, financial standing or otherwise (although Clearing Members may inform their Customers, potential Customers and other Persons that they are a member of the Clearing House and details of their privileges);
- (xiv) participate in, facilitate, procure, counsel, incite, encourage, aid or abet any conduct by a third party which would be a violation or attempted violation of these Rules regardless of whether that third party is subject to these Rules;
- (xv) take any action or make any omission or knowingly or recklessly permit the use of its services, facilities or membership or clearing privileges by any Person in a manner which in the reasonable opinion of the Clearing House is liable to:
 - (A) bring the Clearing House or any of its Clearing Members into disrepute;
 - (B) impair the dignity or degrade the good name of the Clearing House;
 - (C) create or maintain or exacerbate actual or attempted breaches, infringements, manipulations or violations of the Rules (or arrangements, provisions or directions made or given thereunder) or market practice; or
 - (D) otherwise be substantially detrimental to the interests or welfare of the Clearing House;
- (xvi) engage in conduct that would render it unable to satisfy the membership criteria in Rule 201(a), Rule 201(i) or Rule 201(j) (in the case of Rule 201(i), only if it is a CDS Clearing Member, and in the case of Rule 201(j), only if it is an FX Clearing Member) or obligations on Clearing Members under Rule 202(a) or otherwise;

- (xvii) knowingly, negligently, recklessly or carelessly allow any Representative to engage in any conduct that might itself breach these Rules or render it unable to satisfy the membership criteria in Rule 201(a), Rule 201(i) or Rule 201(j) (in the case of Rule 201(i), only if it is a CDS Clearing Member and in the case of Rule 201(j), only if it is an FX Clearing Member);
- (xviii) assign any of its rights or transfer by novation any of its rights and obligations under these Rules to a third party (or purport to do so) unless the Clearing House provides its prior written consent (which consent shall not unreasonably be withheld or delayed);
- (xix) breach any Contract Terms;
- (xx) if it is subject to CASS 7.18 of the FCA rules, deliver any letter to the Clearing House in the manner referred to in Rule 102(q)(viii) in respect of any Proprietary Account, Segregated TTFCA Customer Omnibus Account For CDS, Segregated TTFCA Customer Omnibus Account For F&O, Segregated TTFCA Customer Omnibus Account For FX, Standard TTFCA Omnibus Indirect Account For CDS, Standard TTFCA Omnibus Indirect Account For F&O or Standard TTFCA Omnibus Indirect Account For FX; ~~or~~
- (xxi) if (A) it is a CDS Clearing Member incorporated in Germany; or (B) in relation to a Customer Account transaction of any CDS Clearing Member where the Customer is incorporated in Germany: submit any CDS Transaction Particulars for clearing or enter into any CDS Contract which would take place in circumstances where the CDS Clearing Member would be in breach of Rule 201(a)(~~xxxiv~~xxx), Rule 405(a)(xi) or Rule 1901(d)(xiii) but for the exceptions therein relating to Applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts, unless prior notice of at least 30 days has been provided by the CDS Clearing Member to the Clearing House in accordance with Rule 204(a)(xiv).; or
- (xxii) if the Clearing Member or any of its Affiliates acts as an Approved Financial Institution, Concentration Bank, banker, Custodian or counterparty to the Clearing House, then it agrees that any bank account, custodian account or transactions shall not be subject to any Encumbrance, right of set-off or counterclaim in respect of any sum owed by the Clearing House to the Clearing Member in its capacity as a Clearing Member or arising under these Rules, the Clearing Membership Agreement or any Contract and nor shall any Account at the Clearing House subject to these Rules be subject to any right of set-off or counter-claim in respect of any obligation, sum, amount or asset owed by the Clearing House to the Clearing Member in its capacity as an Approved Financial Institution, Concentration Bank, banker, custodian or counterparty of the Clearing House.

Rule 204 *Notifications by Clearing Members*

- (a) Each Clearing Member shall notify the Clearing House in writing without delay providing full particulars known to it:
- (i) in relation to any change of Control, as soon as it becomes aware of that change or proposed change of Control and it is not prevented from disclosing the change of Control by Applicable Laws;
 - (ii) if it breaches any applicable Position Limit that has been notified to it;
 - (iii) if it ceases to have sufficient Capital, as determined pursuant to Rule 206;
 - (iv) if its Capital for any reason is reduced by more than 10% from that shown on the latest financial statement filed by it with the Clearing House;
 - (v) prior to any payment, loan, distribution or redemption causing a reduction in Capital of the nature described in Rule 204(a)(iv), detailing the payment, loan, distribution or redemption involved and a description of the effect that the same will have on the Capital of the Clearing Member;
 - (vi) in the event that it fails to meet any obligation to transfer, ~~deposit~~ or pay any Margin when and as required by any Clearing Organisation of which it is a member (other than the Clearing House), excluding any matter subject to a dispute (where the Clearing Member is not in default) or resulting from manifest error;
 - (vii) in the event that it fails to comply with any applicable financial requirements of any Governmental Authority, Regulatory Authority, Exchange, Clearing Organisation or Delivery Facility;
 - (viii) of an Insolvency or Resolution Step affecting it or any of its Group Companies (and must provide a copy of such notice to the Bank of England pursuant to Part 12);
 - (ix) of any Event of Default affecting it;
 - (x) of any financial or commercial difficulty such as would give rise to a risk of an Event of Default occurring;
 - (xi) of any "early warning" or similar matter required to be notified to the CFTC or SEC under Applicable Law, within the time and in the manner specified in Applicable Law for such notification to such Regulatory Authority;
 - (xii) of any breach by it ~~of~~ or any non-frivolous or non-vexatious investigation or allegation of a breach by it of any Applicable Law relating to its status and

performance as a Clearing Member or of the Rules, including full particulars of the breach;

- (xiii) of anything relating to the Clearing Member of which the Clearing House would reasonably expect notice (including of any matter, circumstance, change or occurrence which would cause a statement previously furnished pursuant to this Rule 204, any information supplied in connection with the Clearing Member's application for membership or otherwise to be inaccurate, incomplete or superseded); or
 - (xiv) if it is a CDS Clearing Member incorporated in Germany and solely in respect of CDS business, if any Sanctions of H.M.Treasury or the Office of Foreign Assets Control of the U.S. Department of the Treasury would, were they applicable, restrict or prevent the CDS Clearing Member from entering into a CDS Contract or using the Clearing House in circumstances in which neither the equivalent Sanctions of the European Union nor the United Nations Security Council imposed any such restriction or prevention; and in the case of the entry into of any CDS Contract, such notice shall be given 30 days in advance;
 - (xv) if (A) it is a CDS Clearing Member incorporated in Germany; or (B) in relation to a Customer Account transaction of any CDS Clearing Member where the Customer is incorporated in Germany: if any Sanctions of H.M.Treasury or the Office of Foreign Assets Control of the U.S. Department of the Treasury would, were they applicable, restrict or prevent any derivatives or spot trading activities involving a Customer of the CDS Clearing Member in circumstances in which neither the equivalent Sanctions of the European Union nor the United Nations Security Council imposed any such restriction or prevention; and in the case of a Customer which has not previously transacted CDS through the CDS Clearing Member at the Clearing House, such notice shall be given at least 30 days in advance of submitting for Clearing any CDS Trade Particulars first identifying that Customer.
- (b) Where a Clearing Member is regulated by the FCA or PRA:
- (i) Notifications under Rule 204(a)(i) shall only be required where a change of Control is notifiable to or subject to the approval of the FCA or PRA; and in such cases the Clearing Member should provide the Clearing House contemporaneously with a copy of all submissions sent to the FCA or PRA relating to the change of Control; and
 - (ii) Notifications under Rule 204(a)(xiii) (other than notifications of any matter, circumstance, change or occurrence which would cause a statement previously furnished pursuant to this Rule 204, any information supplied in connection with the Clearing Member's application for membership or otherwise to be inaccurate, incomplete or superseded) shall only be required if a notification is also required

to the FCA or PRA under the Principles for Business in the FCA Rules or PRA Rules.

Rule 205 *Financial Reporting*

- (a) Each Clearing Member must file with the Clearing House in relation to the Clearing Member and, if so notified by the Clearing House at its discretion, any Controller:
- (i) an audited financial statement including profit and loss accounts and balance sheet, with the auditor's report, drawn up in accordance with Applicable Laws and Accounting Standards or otherwise following the requirements of the Clearing House within 90 days of the end of the Clearing Member's or relevant Controller's fiscal year;
 - (ii) a quarterly financial statement including management profit and loss accounts and balance sheet, drawn up in accordance with Applicable Laws and Accounting Standards or otherwise following the requirements of the Clearing House, within 30 days of the end of each quarter; and
 - (iii) in the case of Clearing Members or their Controllers that are licensed, authorised or regulated by a Regulatory Authority, a copy of all financial returns, reports, statements and notices provided to the relevant Regulatory Authority as soon as so provided and, if any such material is other than a routine periodic financial return, statement or report required under Applicable Laws, a written statement setting out (to the extent known) the reasons why such Clearing Member or relevant Controller is filing it.
- (b) In the case of Clearing Members authorised and regulated by the FCA or PRA, the Clearing House shall be authorised, at its discretion but subject to the consent of the relevant Regulatory Authority, to obtain copies of financial filings, returns and reports directly from the FCA or PRA rather than from the Clearing Member. The Clearing Member will not be relieved of any of its obligations to the extent that the Clearing House does not obtain, or is unable to verify the accuracy of, any financial return or report obtained by it from the FCA or PRA.
- (c) Each Clearing Member shall file with the Clearing House such financial or other relevant information, in addition to what is explicitly required by this Rule 205, as may be requested by the Clearing House at its discretion from time to time.
- (d) All qualifications and reports of Clearing Members' auditors in any financial report must be satisfactory to the Clearing House.

Rule 206 *Minimum Capital*

- (a) Each Clearing Member shall maintain at all times the requisite types and amounts of Capital [and financial resources](#) as required pursuant to the CDS Procedures, Finance Procedures and Membership Procedures, or otherwise as specified in writing by the Clearing House from time to time. Eligible Capital of each Designated Controller, if any,

of a Clearing Member will be taken into account by the Clearing House in determining whether the Clearing Member satisfies applicable Capital requirements.

- (b) A Clearing Member must, upon request of the Clearing House, provide financial statements and other documentation supporting calculations of Capital [or other financial resources requirements](#) and details of the terms and conditions of any documentation relating to any Capital [or other financial resources requirements](#) (including, without limitation, subordinated loan agreements, legal opinions, information provided to Governmental Authorities and accounts and including in relation to any Controller) to the Clearing House.

Rule 207 *Clearing Member Status*

- (a) Each Clearing Member shall be authorised to enter into Contracts and hold an Open Contract Position with the Clearing House. Clearing Members may, at the Clearing House's discretion, be subject to restrictions in their business with the Clearing House, for example by reference to certain Contracts, Markets or the clearing of Contracts for Customers or using Customer Accounts either generally or of a particular Customer Account Category or acting as a Sponsor either generally or for different cleared products. The Clearing House shall be entitled to publish lists of Clearing Members including details of their privileges and restrictions from time to time.
- (b) Each Clearing Member shall have the privileges, rights and obligations provided for in these Rules. Such privileges, rights and obligations may be terminated or altered in any respect at any time as provided in these Rules.
- (c) A Clearing Member may apply to clear additional categories of Contract by furnishing such information as is relevant to such request in accordance with Rule 201.
- (d) Each Clearing Member shall be liable to the Clearing House and responsible for all its obligations in respect of each of its Proprietary Accounts. Each Clearing Member shall be liable to the Clearing House and responsible for all its obligations in respect of each of its Customer Accounts as principal, except that an FCM/BD Clearing Member shall be liable to the Clearing House in respect of each of its Customer Accounts as set forth in Part 16 and a Sponsor shall be liable in respect of an Individually Segregated Sponsored Account as set out in Part 19. Any sub-accounts of a Customer Account are reported on by the Clearing House for administrative convenience of the Clearing Member only. Recognition by the Clearing House, and transfers between, to and from, a Clearing Member's Nominated Customer Bank Accounts and Nominated Proprietary Bank Accounts are for administrative convenience of the Clearing Member only. Subject only to the provisions of Part 16 (and, in the case of FCM/BD Clearing Members, any Pledged Collateral Addendum) neither any separate Customer Account or sub-accounts of a Customer Account recognised in the Clearing House's or any Clearing Member's books and records or those of any Approved Financial Institution nor any other Procedures or Rules of the Clearing House shall result in any obligation of the Clearing House towards any Customer of the Clearing Member, any other Person that is not a Clearing Member, whether under rules made under FSMA relating to client money, any other Applicable

- (g) The following categories of Clearing Members will not be permitted to clear Financials & Softs Contracts that are futures or options on underlying U.S. securities (other than futures contracts on broad-based security indices or exempted securities): (i) FCM/BD Clearing Members; (ii) other Clearing Members that are organised in the United States of America; and (iii) other Clearing Members having a U.S. residence, based upon the location of their executive office or principal place of business, including, without limitation, (a) a U.S. bank (as defined by Section 3(a)(6) of the Exchange Act), and (b) a foreign branch of a U.S. bank or U.S. registered broker-dealer.

Rule 208 *Suspension of Clearing Member*

- (a) A Clearing Member may be suspended:
- (i) if one or more of the conditions set out in Rule 209(a)(i) to (v) is satisfied;
 - (ii) upon any breach by the Clearing Member of these Rules;
 - (iii) if a Market suspends the Clearing Member or any of its trading privileges;
 - (iv) if the Clearing House at its discretion considers that suspension is necessary to protect the interests of the Clearing House or its Clearing Members (excluding the Clearing Member concerned); or
 - (v) in the event of any Financial Emergency or Force Majeure Event affecting the Clearing Member.
- (b) Any suspension may occur in relation to the Clearing Member's status as a Clearing Member or in respect of certain classes of Contracts or rights of a Clearing Member only. A Clearing Member that has been suspended shall, during the term of such suspension and thereafter, remain and continue to be:
- (i) subject to and bound by these Rules and any agreements between it and the Clearing House;
 - (ii) obliged to pay all fees, fines, assessments or other charges imposed by the Clearing House;
 - (iii) liable pursuant to these Rules for all other obligations arising under Contracts and all obligations incurred before, during or after such suspension including, but not limited to, obligations to transfer, ~~deposit~~, maintain and pay Margin and make Guaranty Fund Contributions; and
 - (iv) able to undertake such activities of a Clearing Member as are expressly permitted by the Clearing House and required to undertake such activities of a Clearing Member as are required by the Clearing House, in each case subject to compliance with all reasonable instructions of the Clearing House in relation to those activities.

any other account designated by that Clearing Member for the purposes of this Rule 301, for payment in respect of fees, charges, fines, penalties, Margin, Guaranty Fund Contributions, amounts due pursuant to Contracts (whether upon their formation, settlement or delivery) and any other amounts due to the Clearing House or due to any Market.

- (f) All amounts payable to the Clearing House (~~except, with the prior written consent of the Clearing House, application fees~~) shall be payable by electronic transfer from an account at an Approved Financial Institution only (except with the prior written consent of the Clearing House). The Clearing Member shall continue to be liable for any amount due under these Rules and no payment obligation of a Clearing Member shall be treated as having been satisfied or discharged unless and until all of the following steps have taken place in respect of any payment of such amount:
- (i) the relevant electronic transfer of funds is actually received by the Clearing House in unencumbered, fully cleared and fully available funds in a Clearing House Account, being an account at an Approved Financial Institution which is not subject to an Insolvency;
 - (ii) if the Approved Financial Institution used by the Clearing Member is not a Concentration Bank, such Approved Financial Institution has fully performed its concentration function in respect of the payment in question, by completing the transfer of funds from the Clearing House's account at such Approved Financial Institution to the Clearing House's concentration account at a Concentration Bank (which Concentration Bank is not subject to an Insolvency), in which account the Clearing House has received unencumbered, fully cleared and fully available funds, in respect of:
 - (A) in the case of a payment pursuant to the Standard Payments Mechanism under Rule 302(a), a net amount reflecting all payments processed through that Approved Financial Institution in respect of all calls on or payments to or from all Clearing Members using that Approved Financial Institution under ~~Rule 302(a)~~the Standard Payments Mechanism in respect of the Business Day in question; or
 - (B) in the case of a payment other than a payment pursuant to the Standard Payments Mechanism under Rule 302(a) (such as a payment following an intra-day call for Margin, a payment under the Externalised Payments Mechanism or an *ad hoc* transfer of additional cash Permitted Cover to the Clearing House), the amount received from the Clearing Member that is seeking to make the payment in question; and
 - (iii) in the case of ~~a payment~~payments pursuant to the Standard Payments Mechanism under Rule 302(a) only, that Approved Financial Institution (including if it is a Concentration Bank) has made all relevant payments ~~under Rule 302(a)~~pursuant to the Standard Payments Mechanism due to the Clearing Member and other

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

Rule 302 *Mechanics for Payments*

- (a) Amounts payable to or by the Clearing House in a particular currency (as determined in accordance with the Finance Procedures) will be calculated and settled for each Account based on the designation of the relevant Account, the applicable margin model (net or gross) and payment mechanics set forth in this Part 3, the Clearing Procedures, the Finance Procedures and Part 16. The standard mechanism for settling amounts payable to or by the Clearing House shall be to calculate a net amount in respect of each Account by offsetting amounts due against amounts payable on that Account (except as provided in Rule 1605 for the Swap Customer Account of FCM/BD Clearing Members). ~~The Clearing House (the "Standard Payments Mechanism")~~. Unless the Clearing House has agreed that the Externalised Payments Mechanism described below in this Rule 302(a) shall apply to a particular kind of cash payment, Account and Clearing Member, the Standard Payments Mechanism will apply. Under the Standard Payments Mechanism, the Clearing House shall advise each Clearing Member of the net amounts due to or from the Clearing Member in respect of each of its Proprietary Accounts and each of its Customer Accounts (if any) on each Business Day (or more frequently if the Clearing House determines to make an intra-day call in accordance with the Finance Procedures)and:
 - (i) if the net amount for a Proprietary Account is due to the Clearing House, the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Proprietary Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due;
 - (ii) if the net amount for a Proprietary Account is due to the Clearing Member, the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Proprietary Bank Account of the Clearing Member with the Approved Financial Institution in an amount equal to the amount so due;
 - (iii) if the net amount for a Customer Account (other than a Margin-flow Co-mingled Account, Segregated Gross Indirect Account or Swap Customer Account) is due to the Clearing House, the Clearing House shall instruct the Clearing Member's Approved Financial Institution to transfer funds from the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due;
 - (iv) if the net amount for a Customer Account (other than a Margin-flow Co-mingled Account, Segregated Gross Indirect Account or Swap Customer Account) is due to the Clearing Member, the Clearing House shall instruct an Approved Financial

Member or its Approved Financial Institution shall be entitled to settle the net amounts across all the Clearing Member's Segregated Gross Indirect Accounts on a net basis;

- (viii) if the net amount for a Segregated Gross Indirect Account is due to the Clearing Member, the Clearing House shall instruct an Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Customer Bank Account of the Clearing Member with the Approved Financial Institution either: (A) in an amount equal to the total of all net amounts due to the Clearing Member across all Segregated Gross Indirect Accounts of the Clearing Member that are recorded in the same position-keeping account (or in respect of all Segregated Gross Indirect Accounts of the Clearing Member with respect to F&O Clearing, FX Clearing or CDS Clearing, as the case may be), regardless of whether any amount is due to the Clearing House in respect of the same Segregated Gross Indirect Accounts; or (B) separately in respect of the net amount for each Segregated Gross Indirect Account, in which case the Clearing Member or its Approved Financial Institution shall be entitled to settle the net amounts across all the Clearing Member's Segregated Gross Indirect Accounts on a net basis; and
- (ix) Rule 1605(h) shall apply to determine the timing, nature and means of making payments in relation to any amount due to or from an FCM/BD Clearing Member in respect of its Swap Customer Account.

The Clearing House offers an alternative payments mechanism (the "Externalised Payments Mechanism") which, if a Clearing Member has elected it and this has been accepted by the Clearing House in writing, will apply to certain kinds of cash payments for particular specified Accounts. The Externalised Payments Mechanism may only apply to Variation Margin, Mark-to-Market Margin, FX Mark-to-Market Margin and such other kinds of cash payments as are specified in the Finance Procedures. The Externalised Payments Mechanism will only apply in respect of specified Accounts as requested by the Clearing Member and confirmed by the Clearing House in writing. Where the Externalised Payments Mechanism has been selected by a Clearing Member and this has been approved by the Clearing House for a particular Account and kind of payment, then the Standard Payments Mechanism as described above for such Account shall be modified so as not to include any netting or aggregation of any payments of the kind specified, which payments shall instead be settled separately through the Externalised Payments Mechanism. Under the Externalised Payments Mechanism, relevant payments shall be settled pursuant to a separate cash flow process at a separate time from that which would have applied under the Standard Payments Mechanism. Payments under the Externalised Payments Mechanism shall remain segregated from one another, by Account, in the same way as payments under the Standard Payments Mechanism and in accordance with Rule 102(q). The Clearing House may revoke applicability of the Externalised Payments Mechanism, in whole or in part, in respect of particular kinds of payments or particular Accounts (and instead subject relevant payment obligations to the Standard Payments Mechanism) by notice at any time to the relevant Clearing Member.

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

Rule 303 *Set Off*

- (a) Subject to Rule 102(q), the Clearing House may set off any obligation due to it from a Clearing Member against any obligation owed by the Clearing House to, or for the account of, the Clearing Member, regardless of [whether payment is due under the Standard Payments Mechanism or the Externalised Payments Mechanism](#), the place of payment, account, branch or currency of either obligation. If the obligations referred to in this Rule 303(a) are in different currencies, the Clearing House may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set off.
- (b) Subject to Rule 102(q), the Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Proprietary Accounts and Customer Accounts resulting from exercise of its rights of set off.
- (c) The rights of the Clearing House in this Rule 303 are without prejudice to any rights of lien, set-off, netting, liquidation, combination of accounts or appropriation, or to instruct

- (n) Where an F&O Contract (other than an ICE Futures US Contract) arises pursuant to this Rule 401 as a result of trading, submission of trade data or other action by or relating to a Customer of a Non-FCM/BD Clearing Member, an opposite Customer-CM F&O Transaction shall arise between such Customer and Clearing Member at the same time as the Contract (and may be void or voided in the same manner as a Contract may be void or voided pursuant to this Part 4 *mutatis mutandis*) and further corresponding transactions may arise between Customers, in the manner specified by and in accordance with the relevant Market Rules.
- (o) Where a CDS Contract arises pursuant to Rule 401 for the Customer Account of a Non-FCM/BD CDS Clearing Member, a Customer-CM CDS Transaction shall arise (or, any previously existing transaction shall be amended and restated in the form of a Customer-CM CDS Transaction) between the Customer and that Non-FCM/BD CDS Clearing Member. Where an FX Contract arises pursuant to Rule 401 for the Customer Account of a Non-FCM/BD Clearing Member, a Customer-CM FX Transaction shall arise (or, any previously existing transaction shall be amended and restated in the form of a Customer-CM FX Transaction) between the Customer and that Non-FCM/BD Clearing Member.
- (p) When a Clearing Member enters into any Contract, becomes subject to a guarantee in respect of a Contract, takes any action which results in a Contract arising for its own account, becomes bound joint and severally with a Sponsored Principal in respect of a Contract, or has a Contract recorded in a Proprietary Account or Customer Account in its name (or, in respect of an Individually Segregated Sponsored Account, the Sponsored Principal's name), it may do so in only one of the following capacities:
- (i) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more Non-DCM/Swap Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a Non-DCM/Swap Customer Account and recorded by the Clearing House in accordance with such designation;
 - (ii) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more DCM Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a DCM Customer Account and recorded by the Clearing House in accordance with such designation;
 - (iii) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more Swap Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a Swap Customer Account and recorded by the Clearing House in accordance with such designation;

- (vi) is one which any Applicable Law provides is void or voided or which any Applicable Law requires the Clearing House to treat as void or voided;
 - (vii) is one in respect of which, at the time of the Transaction, the Clearing House has requested additional Margin or Permitted Cover from the Clearing Member or Sponsored Principal and no Margin or Permitted Cover is provided by the time required;
 - (viii) was entered into in breach of a representation by a Clearing Member or Sponsored Principal arising under the Rules or the Procedures;
 - (ix) is otherwise made or received in such circumstances or in such a manner that acceptance of the Contract or Transaction would be inadvisable, in the opinion of the Clearing House, for the Clearing House's own protection, the protection of Clearing Members generally, Energy Clearing Members generally, Financials & Softs Clearing Members generally, F&O Clearing Members generally, Sponsored Principals or the protection of a Market or marketplace in any class of Contracts; or
 - (x) solely in respect of ICE Endex UK Transactions, ICE Endex UK Contracts, ICE Endex Spot Market Transactions and ICE Endex Spot Market Contracts, is one in relation to which any corresponding Trade Nomination has been rejected by the relevant Delivery Facility.
- (b) If any CDS Contract or FX Contract, as against any Clearing Member, Sponsored Principal or Sponsor that is or would be bound thereto:
- (i) is one which any Governmental Authority requires or requests in writing that the Clearing House treat as void or voided;
 - (ii) is one which any Applicable Law provides is void or voided, or requires the Clearing House to treat as void or voided;
 - (iii) is one which, whether in whole or in part, pursuant to any Applicable Law is voidable; or
 - (iv) is unenforceable by the Clearing House,
- then the Clearing House shall act in accordance with Rule 404(c). A Contract shall not be subject to Rule 404(b)(iii) or (iv) if a Buying Counterparty or Selling Counterparty is subject to fraud, illegality, insider dealing, market abuse, money laundering, breach of Applicable Laws or other grounds for the Contract being void, voidable or unenforceable solely as a result of it having submitted a Transaction in circumstances in which the simultaneously arising Contract to which another Buying Counterparty or Selling Counterparty is subject to Rule 404(b)(iii) or (iv).
- (c) If any of the circumstances set out in Rule 404(b)(i) and (ii) arises, the Clearing House shall comply with any relevant request, requirement or provision, and, if Rule 404(b)(iii)

Rule 410 *[Not used]***Rule 411** *Swap Data Repository ("SDR") Reporting*

For all swaps cleared by the Clearing House and resulting positions, the Clearing House will report creation and continuation data to the ICE Trade Vault swap data repository for purposes of complying with applicable CFTC rules governing the regulatory reporting of swaps. Upon the request of a counterparty to a swap cleared at the Clearing House, the Clearing House will provide the same creation and continuation data to a swap data repository selected by the counterparty as the Clearing House provided to the ICE Trade Vault swap data repository under the preceding sentence.

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

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

Rule 502 *Margin*

- (a) Each Clearing Member shall transfer Permitted Cover to the Clearing House in respect of Margin in such amounts, in such forms and at such times as are required pursuant to this Part 5 and otherwise as may be prescribed by the Clearing House and notified to Clearing Members, in each case in accordance with these Rules and the Finance Procedures, from time to time.
- (b) At any time on which a requirement for Original Margin, FX Original Margin, Initial Margin or Margin under Rule 502(g) falls due and insufficient Permitted Cover is held, the Clearing Member must initially transfer cash in an Eligible Currency. Thereafter a Clearing Member may substitute such cash Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. The amount of

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

- (a) The rights and liabilities of the Clearing House and each Clearing Member in relation to Permitted Cover are set out in the Clearing Membership Agreement and these Rules.
- (b) Each Clearing Member will act as principal and not as agent in providing Margin to the Clearing House. The Clearing House will take no account of any right or interest which any Person other than the Clearing Member may have in any Margin furnished by such Clearing Member to the Clearing House.
- (c) Each Clearing Member will be deemed to represent and warrant to the Clearing House on each date on which such Clearing Member transfers Permitted Cover to the Clearing House that:
 - (i) immediately prior to any such Permitted Cover being transferred to the Clearing House, the Clearing Member is or was the sole legal and beneficial owner of all such assets (or such assets are provided with all legal and beneficial owners' unconditional consent for their use and application pursuant to these Rules);
 - (ii) the Clearing House is not subject to any obligation to perform directly to any of a Clearing Member's Customers, Affiliates or Representatives or any third party as a result of the Clearing Member granting any interest in any receivable from the Clearing House resulting from the Clearing House's receipt or use of such Permitted Cover, except as expressly provided pursuant to these Rules or any Pledged Collateral Addendum or as mandated pursuant to Applicable Law;
 - (iii) such Permitted Cover is provided on the basis that it may be used by the Clearing House and applied in accordance with these Rules;
 - (iv) the Clearing Member will not claim that any [transfer of Permitted Cover to or](#) use of Permitted Cover by the Clearing House in accordance with the Rules or the relevant Clearing Membership Agreement is contrary to or in breach of any requirement of Applicable Law, third party right or other contractual obligation (provided that the Clearing House does not cause such breach by amending these Rules);
 - (v) the Clearing Member is not in breach of any of its contractual obligations or regulatory requirements under MiFID II or other Applicable Laws towards any third party as a result of the transfer of Permitted Cover to the Clearing House (provided that the Clearing House does not cause such breach by amending these Rules) or its collection from or receipt of any assets from its clients; and
 - (vi) if it is subject to CASS 7.18 of the FCA rules:
 - (A) its Segregated Customer Omnibus Accounts For CDS, Segregated Customer Omnibus Accounts For F&O, Segregated Customer Omnibus Accounts For FX, Standard Omnibus Indirect Accounts for CDS, Standard Omnibus Indirect Accounts for F&O and Standard Omnibus Indirect

- (g) Any amount or asset recorded in a particular Account may be applied by the Clearing House to the extent permitted under Part 9 of the Rules as against the net sum for such Account or transferred to the extent permitted under Rule 906 regardless of the origin or status of such amount or assets at the time of transfer or prior to the time of transfer as Customer-CM Collateral, title transfer collateral, security interest collateral, Pledged Collateral or otherwise.
- (h) The Clearing House has acknowledged in Rule 102(q), Rule 906(b), letters countersigned and returned by the Clearing House in accordance with Rule 102(q), Clearing Membership Agreements, Sponsor Agreements and Sponsored Principal Clearing Agreements that:
- (i) no Customer Account of a Clearing Member or Individually Segregated Sponsored Account (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account) is to be combined or co-mingled with a Proprietary Account of the same or same sponsoring Clearing Member (or any money, asset or contract recorded in such a Proprietary Account);
 - (ii) no Customer Account of a Clearing Member or Individually Segregated Sponsored Account (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account) is to be combined or co-mingled with a different Customer Account or Individually Segregated Sponsored Account of the same or same sponsoring Clearing Member (or any money, asset or contract recorded in such a Customer Account or Individually Segregated Sponsored Account); and
 - (iii) no right of set-off shall be exercised by the Clearing House against money, asset or contract credited to a Customer Account in respect of any sum or obligation owed to the Clearing House on any other account.
- (i) A Clearing Member shall take any action reasonably requested by the Clearing House that may be necessary or desirable to create, preserve, perfect or validate the right, title or interests of the Clearing House in Margin or Guaranty Fund Contributions intended to be created under these Rules, the relevant Clearing Membership Agreement, any Sponsor Agreement, any Sponsored Principal Clearing Agreement or any Pledged Collateral Addendum or to enable the Clearing House to exercise or enforce any of its rights with respect thereto.

Rule 505 *Financial Collateral Regulations*

Clearing Members, Sponsored Principals, Customers and the Clearing House acknowledge that, except where a payment of Variation Margin, Mark-to-Market Margin, or FX Mark-to-Market Margin or a settlement or delivery payment occurs, the Financial Collateral Regulations apply in relation to all Permitted Cover, Margin and Guaranty Fund Contributions transferred to the Clearing House in the form of "cash" or "financial instruments" (in either case, as defined in the Financial Collateral Regulations). Each Clearing Member, Sponsored Principal, Sponsor and Customer agrees that it will not dispute the construction of the arrangements regarding the

provision of ~~collateral~~such assets under these Rules as "financial collateral arrangements" within the meaning of the Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on Financial Collateral Arrangements.

Rule 506 *Sponsored Principals*

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

Part 7 Settlement and Delivery of Futures

Part 7 of the Rules does not apply to CDS Contracts or FX Contracts. References to Contracts in this section are to F&O Contracts. References to any Account in this section are references only to an Account in which F&O Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly. References to Customers in this section are solely to Customers of F&O Clearing Members in relation to F&O Contracts. This Part 7 applies to Sponsored Principals in the same way as it applies to Clearing Members.

Rule 701 *Determination of Exchange Delivery Settlement Price for Futures*

- (a) The Clearing House will specify the Exchange Delivery Settlement Price for any Future Set.
- (b) The Exchange Delivery Settlement Price will generally be determined on the basis of data provided and published by the Market on which the Contract in question is traded and in accordance with applicable Market Rules, subject to Rule 701(c).
- (c) The Clearing House shall be entitled to determine the Exchange Delivery Settlement Price itself, at its discretion, if:
 - (i) a Market fails on any day to determine an Exchange Delivery Settlement Price;
 - (ii) a Market fails to provide the Clearing House with necessary data for determination of an Exchange Delivery Settlement Price;
 - (iii) there is an error in data provided by a Market; or
 - (iv) the Clearing House at its discretion otherwise considers it appropriate to do so.

Any Exchange Delivery Settlement Price determined by the Clearing House under this Rule 701(c) will be communicated to Clearing Members.

Rule 702 *Cash Settlement*

- (a) A Futures Contract shall be settled in cash if:
 - (i) pursuant to the applicable Contract Terms it can be settled only in cash; or
 - (ii) pursuant to the applicable Contract Terms it may be settled in cash and the Clearing Member opts to settle the Contract(s) in cash.
- (b) Cash Without prejudice to any contractual netting under Rule 406 or the Clearing Procedures, cash settlement for a Set of Futures Contracts shall occur separately, and separate payment obligations shall accrue, in respect of a Clearing Member's:
 - (i) net position in the relevant Set in respect of each of its Proprietary Accounts;

- (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).
- (c) Provided that all Margin payments in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Future shall be the net gain or loss, as the case may be, based on the ~~difference between the~~ price at which Open Contract Positions ~~are~~were last recorded on the Clearing House's books and the Exchange Delivery Settlement Price ~~(or, for in relation to~~ Contracts entered into on the same day as the day of settlement, the difference between the Exchange Delivery Settlement Price and the price at which the relevant Contract was bought or sold). Each cash settlement shall occur in accordance with the Contract Terms.
- (d) Neither the Delivery Procedures nor the requirements of Rule 703 shall apply to any Contract which is settled in cash in accordance with this Rule 702.

Rule 703 *Delivery*

- (a) In relation only to Futures which are not settled in cash pursuant to Rule 702, the Delivery Procedures and the requirements of this Rule 703 shall apply. The relevant Market may, on the Clearing House's behalf, administer any matter or exercise any right granted to the Clearing House under this Rule 703 or the Delivery Procedures.
- (b) The Buyer and Seller shall each make such payments and deliveries and deliver such tenders, notices and invoices as are required pursuant to the Delivery Procedures and Market Rules.
- (c) The passing on by the Clearing House of such tenders or such other documents shall not constitute acceptance by the Clearing House of such tenders or such documents if the Clearing Member to which the Clearing House passed on such tender or documents rejects the same where permitted to do so. In the event of such rejection, the Clearing House shall also be entitled to reject the tenders or other documents. Similarly, where a Clearing Member who is a Buyer under a Contract rejects a Deliverable delivered to it, the Clearing House as Buyer under the corresponding back to back Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under that Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.

- (d) Subject to Rule 703(c), no tender received by the Buyer may be withdrawn or substituted by the Seller except with the consent of the Buyer or otherwise in accordance with the Contract Terms and Procedures.
- (e) Full compliance with the Delivery Procedures applicable to the Contract in question and, where applicable, Market Rules shall amount to a good discharge of the rights, liabilities and obligations of the parties under such Contract (but shall be without prejudice to any rights, liabilities or obligations of any party to a Contract in relation to breach of warranty, representation, damaged goods, under-delivery, over-delivery or otherwise).
- (f) The Clearing House may, at its discretion, direct a Clearing Member who is a Seller under a Contract subject to delivery to deliver the Deliverable that is the subject matter of such Contract to another Clearing Member that is a Buyer. The Seller and Buyer shall each be bound by any such direction. Delivery in accordance with any such direction shall be deemed to constitute delivery by the Seller to the Clearing House and from the Clearing House to the Buyer for the purposes of the Contract or Contracts in question (but title shall not pass unless and until the time specified in the Delivery Procedures). All payments in relation to such Contracts shall nonetheless be made only to and from the Clearing House by the Clearing Members concerned (except with the prior written consent of the Clearing House).
- (g) If an invoice has not been prepared or delivered when payment becomes due pursuant to a Contract, payment shall be made and received on account, pending the issue of that invoice.
- (h) Where a Clearing Member that is a Buyer or Seller under a Contract subject to delivery is subject to grounds for declaring an Event of Default or Force Majeure Event, the rights, liabilities and obligations of ~~such~~ the Defaulter and any Clearing Member that is not a Defaulter with delivery positions in the same Set in respect of such performance may at the option of the Clearing House, or shall in accordance with the Delivery Procedures, be discharged and there shall arise in place of the same an obligation to account as between the Clearing Member and the Clearing House for a settlement amount. The Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or a proportion thereof, for the Clearing House's rights, liabilities and obligations in respect of performance of delivery obligations under other Contracts subject to tender with other Clearing Members (such Contracts and Clearing Members selected by the Clearing House at its discretion) of the same Set.
- (i) Where a Clearing Member has appointed a Disclosed Principal Member, any delivery, payment or related obligation of the Clearing Member to the Clearing House shall be construed as an obligation of the Disclosed Principal Member and any right to take delivery or receive payment as a right of the Disclosed Principal Member, and terms 'Buyer,' 'Seller' and all other provisions of these Rules relating to deliveries shall be construed accordingly.
- (j) Each Seller shall be deemed to represent and warrant that deliveries to Buyers of Deliverables that are the subject matter of any Contract subject to this Rule are made free

of any Encumbrance of or relating to the Seller (or any of its Transferors or Representatives). Sellers shall not be discharged of their delivery obligations in relation to any Contract subject to this Rule unless the Buyer has taken delivery of the Deliverable that is the subject matter of the Contract free of any such Encumbrances.

Rule 704 *Credit and Debit of Accounts*

- (a) The Clearing House shall make any necessary credits or debits to or from Clearing Members' Proprietary Margin Account and Customer Margin Accounts, as appropriate, arising as a result of each cash settlement and delivery in accordance with Part 3.
- (b) Subject to the Contract Terms and Procedures, any compensation, adjusting payment or other allowance payable by or to either the Buyer or the Seller under the terms of the Contract shall be paid by or to the Clearing House for onward payment to the Buyer or the Seller as the case may be.

Rule 705 *Settlement and Delivery Obligations only in respect of Open Contract Position and Termination of other Contracts*

- (a) ~~The~~ Without prejudice to any contractual netting under Rule 406 or the Clearing Procedures, the Clearing House and each Clearing Member shall make cash settlement ~~or and~~ delivery only for such number of Contracts as are reflected in the Clearing Member's Open Contract Position, ~~plus any other Contracts entered into on the same day as the day of settlement,~~ separately for the Clearing Member's:
 - (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
 - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).

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

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

Part 8 Options

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

Rule 801 *Payment of Premium*

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

Rule 802 ~~Reference Prices~~ Determination of Exchange Delivery Settlement Price for Options

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

Any Exchange Delivery Settlement Price determined by the Clearing House under this Rule 802(c) will be communicated to Clearing Members.

made only to and from the Clearing House by the Clearing Members concerned (except with the prior written consent of the Clearing House).

- (e) If a Buyer under a Contract of Sale rejects a Deliverable delivered to it, the Clearing House as Buyer under the similar (effectively, back to back) Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under the equivalent Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.
- (f) Where payment is subject to an invoice under the Contract Terms, if an invoice has not been prepared or delivered when payment becomes due pursuant to a Contract, payment shall be made and received on account, pending the issue of that invoice.
- (g) Where a Clearing Member that is a Buyer or Seller under a Contract of Sale is subject to an Event of Default or Force Majeure Event, the rights, liabilities and obligations of any Clearing Member that is not a Defaulter in respect of such performance shall be discharged and there shall arise in place of the same an obligation to account as between the Clearing Member and the Clearing House for a settlement amount. The Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or a proportion thereof, for the Clearing House's rights, liabilities and obligations in respect of performance of delivery obligations under other Contracts subject to tender with other Clearing Members (such Contracts and Clearing Members selected by the Clearing House at its discretion) of the same Set.
- (h) Upon each of the parties to a Contract having made all necessary payments and deliveries in accordance with these Rules in respect of all Contracts of Sale relating to Options in a Set in relation to which a delivery obligation exists for any account or positions specified in Rule 803(a), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to such Contracts of Sale in respect of such account or position.

Rule 810 *Cash Settlement*

- (a) Neither the Delivery Procedures nor Rules 803 to 809 apply to Option Contracts which are, according to their applicable Contract Terms, capable of cash-settlement only or which, being Contracts that may be cash-settled at the option of either party, have been designated for cash-settlement by either party.
- (b) An Option Contract shall be settled in cash if:
 - (i) pursuant to the applicable Contract Terms it can be settled only in cash; or
 - (ii) pursuant to the applicable Contract Terms it may be settled in cash and the Clearing Member opts to settle the Contract(s) in cash.

- (c) Cash settlement for a Set of Option Contracts shall occur separately, and separate payment obligations shall accrue, in respect of a Clearing Member's:
- (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
 - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).
- (d) Provided that all Margin payments (and any outstanding premium payments) in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Option shall be the net gain or loss, as the case may be, based on the difference between the price at which Open Contract Positions are recorded on the Clearing House's books and the ~~Reference Price~~Exchange Delivery Settlement Price on the day of settlement or exercise (or, for Contracts entered into on the same day as the day of exercise, the difference between the ~~Reference~~Exchange Delivery Settlement Price and the price at which the relevant Contract was bought or sold). Each cash settlement shall occur in accordance with the Contract Terms.
- (e) Upon each of the parties to a Contract having made all necessary payments in accordance with these Rules in respect of all Option Contracts in a Set in relation to which a cash settlement obligation exists for any account or positions specified in Rule 810(c), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Option Contracts belonging to such Set in respect of such account or position.

Rule 811 *Credit and Debit of Accounts*

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

- (vi) any creditor of that Clearing Member or any of its Group Companies becoming entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described);
- (vii) an Insolvency or Unprotected Resolution Step in relation to that Clearing Member or any of its Group Companies;
- (viii) any material action being taken against that Clearing Member (including, without limitation, any declaration of default, material adverse notice or finding, material fine, suspension or expulsion or withdrawal of, revocation of or failure to renew any permission, [exemption](#), licence or authorisation) by any Governmental Authority, Regulatory Authority, Exchange, Clearing Organisation or Delivery Facility;
- (ix) breach by that Clearing Member of any Applicable Law relevant to its business as a Clearing Member;
- (x) (A) failure by the Clearing Member or its Credit Support Provider to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed; (B) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document, or any security interest granted by such Clearing Member or its Credit Support Provider to the Clearing House pursuant to any such Credit Support Document, to be in full force and effect for the purpose of any Contract (in each case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Contract to which such Credit Support Document relates in each case without the written consent of the Clearing House; or (C) such Clearing Member or its Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf); or
- (xi) the Clearing Member or its Credit Support Provider consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganises, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganisation, reincorporation or reconstitution: (A) the resulting, surviving or transferee entity fails to assume all the obligations of such Clearing Member or its Credit Support Provider under any Contract or any Credit Support Document to which it or its predecessor was a party; or (B) the benefits of any Credit Support Document fail to extend (without the consent of the Clearing House) to the performance by such resulting, surviving or transferee entity of its obligations under any Contract.

- (e) The Clearing House may inform any relevant Regulatory Authority of an Event of Default prior to declaring an Event of Default and disclose such information to such Regulatory Authority as it sees fit.

Rule 902 *Actions to be taken following declaration of a Clearing Member Event of Default*

- (a) If an Event of Default has been declared, the Clearing House may immediately suspend or terminate the Defaulter's membership as a Clearing Member, status as a Sponsored Principal or Sponsor and any other entitlements under these Rules, take any action to close out the Defaulter's positions under this Part 9 and take such action as is necessary to control or reduce losses or liquidity pressures resulting from the Event of Default. Any such suspension or termination may be temporarily postponed or may not be enforced if the Clearing House in its discretion determines that any such suspension or termination would either (i) not be in the best interests of the Clearing House; or (ii) be likely adversely to affect the operation of any market.
- (b) As soon as practicable after the Clearing House has declared that a Clearing Member is subject to an Event of Default, the Clearing House shall issue a Default Notice to the Defaulter ~~and shall provide a copy of such Default Notice to any other party to an affected Contract (if any)~~. The Clearing House will issue a Circular in respect of any Default Notice specifying the name of the Defaulter. The Clearing House may at its discretion publish a copy of the relevant Default Notice in or together with a Circular. The Clearing House shall, as soon as reasonably practicable after issuing a Default Notice, appoint a day on which any net sums certified under Rule 906 are to be paid.
- (c) The Clearing House may take such steps pursuant to this Part 9 as appear in the circumstances to be necessary or expedient to discharge all the Defaulter's rights and liabilities under or in respect of Contracts to which it is party, to protect the Clearing House, its non-defaulting Clearing Members, Sponsored Principals or Markets or to complete the process described in this Part 9.
- (d) Transfer Orders shall be legally enforceable, irrevocable and binding on third parties in accordance with Part 12, even on the occurrence of an Event of Default.

Rule 903 *Treatment of Contracts following a Clearing Member Event of Default and Hedging*

- (a) The Clearing House shall be entitled to take any of the following steps at its discretion following the occurrence of an Event of Default with respect to a Clearing Member or Sponsored Principal:
- (i) to arrange for Contracts to be subject to a Transfer to a Transferee Clearing Member in accordance with Rule 904 and effect the same;
- (ii) if it determines at its discretion that the protection of the financial integrity of the Clearing House so requires, or because of the cessation or curtailment of trading

liabilities relating thereto. For the avoidance of doubt, in any case where this Rule 903(d) applies as a result of Rule 912 applying, Rule 905(f) shall not apply to the extent that the same is disapplied by Rule 912.

- (e) Upon an Event of Default being declared with respect to a Clearing Member, any accrued or invoiced amounts shall be immediately due and payable by the Defaulter to the Clearing House.

Rule 904 *Transfer of Contracts and Margin on a Clearing Member Event of Default*

Provisions applicable to all Defaulters and all Contracts

- (a) The Clearing House may arrange for any of the following steps (any such step, a "**Transfer**" and the term "**Transferred**" shall be interpreted accordingly) to take place in respect of the Contracts of a Defaulter as part of its default proceedings:
- (i) a transfer, sale, assignment or novation of Contracts (and related Customer-CM Transactions) of a Defaulter to a Transferee Clearing Member; or
 - (ii) the termination of Contracts between the Clearing House and a Defaulter (and related Customer-CM Transactions, where applicable) and the entry into of new replacement Contracts (and related Customer-CM Transactions, where applicable) between the Clearing House and the Transferee Clearing Member or between such Customer and such Transferee Clearing Member, as applicable (by way of novation and amendment or otherwise).

Unless the Clearing House specifies otherwise in writing, all Transfers shall occur pursuant to the process described in Rule 904(a)(ii).

- (b) ~~All Contracts~~ The Clearing House shall, at its discretion, determine the price that any Contract subject to a Transfer shall be Transferred, which may be determined on the basis of the applicable Exchange Delivery Settlement Price, ~~Reference Price, (for F&O Contracts) or as zero (for certain Options), the Market-to-Market Value or other price (for CDS Contracts) or the FX Market Price (for FX Contracts),~~ in either case as at the time specified by the Clearing House. Such price may be calculated with reference to any time determined at the Clearing House's discretion, which may be the time of the Transfer, the time an Event of Default, Insolvency or Unprotected Resolution Step occurs or is declared, or the time of calculation of any such price as at the end of the Business Day prior to the Transfer, Event of Default, Insolvency or Unprotected Resolution Step. Transferee Clearing Members will be notified of applicable prices determined pursuant to this provision prior to the Transfer.
- (c) For the avoidance of doubt, the Clearing House shall have no obligation to enter into or effect any Transfer if to do so (i) would result in or risk an Account being under-collateralised with respect to any remaining Contracts; (ii) would result in or risk an Event of Default or a Failure To Pay in respect of the Clearing House, the application of Guaranty Fund Contributions of non-Defaulters, a call for Assessment Contributions or invocation of any of the procedures in Rules 912 to 918; (iii) would result in or risk a

- (i) The Clearing House may place, with one or more members of an Exchange, Clearing Organisation or over-the-counter marketplace upon which the relevant category of Contract is traded, orders for the purchase, grant, exercise or sale of Contracts. The Clearing House may designate and authorise an individual to be responsible for the placement of such orders or may enter into Contracts with non-defaulting Clearing Members or (providing that the relevant Clearing Member or Sponsor, respectively, has consented to the order) Customers or Sponsored Principals, by way of Default Auction, which, for the CDS Contract Category, shall be an Initial CDS Auction, and in the event of a failed Initial CDS Auction, run additional Initial CDS Auctions as provided in the CDS Default Auction Procedures.
- (ii) For purposes of liquidation of Contracts, hedging market risks of the Defaulter or otherwise, Contracts (or any part thereof) may be terminated or closed out by the Clearing House pursuant to the submission of any Transactions, Invoicing Back or the creation of new Contracts to which the Defaulter is party at the Clearing House's discretion (regardless of whether they are held for different accounts or different beneficial owners), but subject always to, and accounting for the close-out amounts under, Rule 906: (i) Contracts (or any part thereof) to which the Defaulter is party on opposite sides of the market of the same Set; (ii) F&O Contracts having different expiration dates or exercise dates; (iii) CDS Contracts having different series or version numbers or scheduled termination dates or Applicable Credit Derivatives Definitions; and (iv) FX Contracts on opposite sides of the market of the same Set or having different FX Settlement Dates. For the avoidance of doubt, this Rule 905(b)(ii) does not empower the Clearing House to oblige non-defaulting Clearing Members to become party to any Contracts.
- (iii) FX Contracts of a Defaulter having different FX Settlement Dates may be combined, terminated and replaced by any transactions, Invoicing Back or the creation of new FX Contracts at the Clearing House's discretion, for purposes of liquidation of Contracts, hedging market risks of the Defaulter or otherwise, if the Defaulter is Reference Currency Buyer under one of the FX Contracts in respect of a particular currency and Reference Currency Seller under the other FX Contract in respect of the same currency.
- (iv) Any Contracts (including those recorded in one of the Defaulter's Customer Position Accounts) which are sale and purchase Contracts in the same Set may be closed out and terminated (in whole or in part), together with any termination payments settled by way of off-set.
- (v) An Option may be terminated, exercised or abandoned, at the discretion of the Clearing House, and in any case where an Option is exercised, the Clearing House may terminate or close out the Future or Contract of Sale, if any, arising as a result of such exercise in accordance with the provisions of this Rule 905.
- (vi) Notwithstanding any other provision of this Rule 905, the Clearing House may pair and cancel offsetting buy and sell or Long and Short positions in the same

Future or Option Set or 'Selling Counterparty' and 'Buying Counterparty' positions in any Set of CDS Contracts or FX Contracts; and where it is necessary or desirable for there to be a price (for example, in the case of a liquidation of offsetting Customer Account and Proprietary Account Contracts or the liquidation of offsetting Contracts recorded in different Customer Accounts, where in each case, the close-out values of the offsetting Contracts are required to be taken into account for the calculation of different net sums pursuant to Rule 102(q) and Rule 906(c)), the price for a Future or Option Contract will be ~~equal to the Exchange Delivery Settlement Price, the price for a CDS Contract will be the Mark to Market Price or for FX Contracts at the FX Market Price, in either case on the day such cancellation is ordered (or alternatively, such other price shall apply as~~ determined by the Clearing House ~~may establish in accordance with the Procedures and its risk policies~~ pursuant to Rule 905(g).

- (vii) The Clearing House shall be entitled (without the prior or subsequent consent or agreement of the Defaulter or any court order) to sell, transfer, value (subject to Rule 905(b)(ix)) or create any interest in any Permitted Cover, Margin, Guaranty Fund Contributions or other assets that are credited to the Defaulter's Proprietary Margin Account, any of its Customer Margin Accounts (subject to Rule 502(i)) or any of its accounts used for Guaranty Fund Contributions or any other asset of the Defaulter that is otherwise in the Clearing House's possession (subject always to Rule 102(q)), subject to an obligation to account for the net proceeds of such actions after having deducted the Clearing House's reasonable and properly incurred expenses and costs in doing so in accordance with Part 1.
- (viii) Without prejudice to Rule 905(b)(xvii) where a Pledged Collateral Account is held by a Clearing Member who is a Defaulter or is capable of being declared a Defaulter, the Clearing House shall be entitled, in addition to its other rights and remedies under Part 9 but subject to Rule 502(i), to exercise the rights of a secured party, collateral taker, market chargee and collateral security chargee under Applicable Law with respect to any Pledged Collateral and pursuant to the Pledged Collateral Addendum to appropriate, exercise rights of use and appropriation over and liquidate such Pledged Collateral, and, once such exercise of rights of use, appropriation or liquidation results in a realised value for such Pledged Collateral that is to be taken account of in a relevant net sum calculated under Rule 906, shall thereupon apply the proceeds thereof to the applicable obligations of such Clearing Member in respect of the relevant Customer Account or Proprietary Account and in determining the net sum under Rule 906 if the Clearing Member has then been declared a Defaulter. For the avoidance of doubt, rights of use or appropriation shall not be exercised in respect of a Pledged Collateral Account of a Clearing Member or Sponsored Principal that is not a Defaulter or capable of being declared a Defaulter.
- (ix) When either:
 - (A) following the exercise of a right of use in respect of Pledged Collateral of a Defaulter, the Clearing House exercises its right to set-off the value of

the relevant Pledged Collateral in discharge of the obligations of the Defaulter due to the Clearing House; or

(B) appropriating Pledged Collateral,

the Clearing House shall value such Pledged Collateral in the case of (A) at the time that the obligation to redeliver equivalent Pledged Collateral would arise but for such set-off or, in the case of (B), at the time of such appropriation. For this purpose, the value of such Pledged Collateral shall be the market price of the relevant Permitted Cover determined by the Clearing House by reference to a published pricing information source or by such other process as the Clearing House may at its discretion select. The Clearing House shall be entitled (without the prior or subsequent consent or agreement of the Defaulter or any court order) to sell, transfer, value or create any interest in any Permitted Cover, Margin, Guaranty Fund Contributions or other assets that are credited to the Defaulter's Proprietary Margin Account, any of its Customer Margin Accounts (subject to Rule 502(i)) or any of its accounts used for Guaranty Fund Contributions or any other asset of the Defaulter that is otherwise in the Clearing House's possession (subject always to Rule 102(q)), subject to an obligation to account for the net proceeds of such actions after having deducted the Clearing House's reasonable and properly incurred expenses and costs in doing so in accordance with this Part 9.

- (x) The Clearing House shall be entitled to take such actions, take or make delivery and give such notices on behalf of the Defaulter in respect of a Contract under delivery as it determines; or to make or receive a tender in the Defaulter's name.
- (xi) The Clearing House shall be entitled to determine an amount due from the Defaulter in substitution for delivery obligations.
- (xii) The Clearing House shall be entitled to take any other action with respect to the Event of Default or the Defaulter as it deems to be necessary or prudent.
- (xiii) The Clearing House's powers to convert currency under Rule 107 may be applied.
- (xiv) The Clearing House shall be entitled to Transfer Contracts to which a Defaulter is party to one or more other Transferee Clearing Members at a price ~~agreed between~~ determined by the Clearing House ~~and the Transferee Clearing Member~~ pursuant to this Part 9.
- (xv) Subject to Rule 904(g), the Clearing House shall be entitled to effect the Transfer of the Defaulter's rights, title and interest to Contracts, any related Margin or other assets of the Defaulter and any related Customer-CM Transaction(s) or other transactions between a Customer and a Defaulter to a Transferee Clearing Member, without any further action being required on the part of any Person. This may be done through the Clearing House's exercise of rights pursuant to its power of attorney in the relevant Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement with the Defaulter or on the

basis of this default rule, as opposed to pursuant to the process and legal entitlements described further in Rule 904.

- (xvi) The Clearing House may take action so as to terminate or replace Customer-CM Transactions or other transactions between a Customer and a Defaulter which are consequential on it taking actions in relation to Contracts in accordance with Rule 904.
- (xvii) The Clearing House shall be entitled to take any other action with respect to the Defaulter, the Contracts to which the Defaulter is party or any Margin, Guaranty Fund Contribution or Surplus Collateral provided by the Defaulter as the Clearing House at its discretion considers to be necessary or prudent in the circumstances.
- (xviii) The Clearing House may make appropriate entries on the records of the Clearing House and submit appropriate data to Deriv/SERV, Repositories and Delivery Facilities to give effect to any action taken in accordance with this Part 9.
- (xix) Subject to Rules 102(q) and 906(a), the Clearing House may conduct one or more Default Auctions in accordance with the Default Auction Procedures. For the purposes of establishing lots for such Default Auctions, the Clearing House shall be entitled at its discretion to determine which particular Contracts or packages of Contracts are to be the subject of a particular auction lot. In doing so, it may establish auction lots that include: (i) a mixture of Contracts recorded in different Accounts of a Non-FCM/BD Clearing Member (provided that a single auction lot shall not include both Proprietary Account Positions and Customer Account Positions); and (ii) in respect of a particular Account, some, but not all, of the Contracts recorded in that Account (for example, a lot may contain only Energy Contracts but not Financials & Softs Contracts), which lot may then also be mixed to the extent permitted under (i). An auction lot relating to Contracts of an FCM/BD Clearing Member may only contain Contracts recorded in a single Account. Where positions relating to more than one Account of a Non-FCM/BD Clearing Member are included in a single auction lot, for the purpose of calculating the net sums under Rule 906, the Clearing House shall apportion the overall bid price received for an auction lot, and the costs associated with auctioning the relevant lot, across the various Accounts in which the Contracts in the auction lot are recorded based on Margin requirements, latest Mark-to-Market Prices, Contract valuation information provided by the winning bidder or such other methodology as it may at its discretion determine.

- (c) If, as a result of the rules of an Exchange which limit fluctuations in price or other circumstances, it is not possible to close out or terminate all Contracts to which the Defaulter is party pursuant to Rule 905(b), the Clearing House may close out or terminate such Contracts by taking opposite positions for F&O Contracts in Contracts in the current expiration period, for CDS Contracts in Contracts of a different series or version number or scheduled termination date or, for FX Contracts in Contracts of a different FX Settlement Date, and terminating the resultant offsetting positions.

upon which such remaining Open Contract Positions and Transactions shall terminate (to the extent not previously terminated); and

(C) take any other action not inconsistent with these Rules as the Clearing House may deem necessary or appropriate for its protection (it being understood that the Clearing House will not be entitled to conduct a forced allocation of Contracts to Clearing Members or require Assessment Contributions or similar contributions in excess of the maximum amounts permitted under Rules 909 and 917.

- (e) All terminations and closing out of Contracts pursuant to this Rule 905 shall be for the account and cost of the Defaulter.
- (f) Without prejudice to the generality of the indemnities in Rules 111 and 301, but without duplication of any other obligation under these Rules, the Defaulter, acting for its own account as principal, shall indemnify, hold harmless and be liable to the Clearing House in respect of all the losses, unpaid fees, liabilities, damages, injuries, taxes, costs, claims, shortfalls and expenses (including, without limitation, legal, accountancy or other professional services expenses and disbursements, the costs of close-out, termination or Transfer of Contracts or Margin, amounts payable by the Clearing House to Approved Financial Institutions or custodians and any amount payable by the Clearing House to any Person in respect of tax in connection with the Defaulter or its Contracts, Margin, obligations or the Event of Default), in the case of any such item whether relating to a Proprietary Account or Customer Account of the Defaulter or an Individually Segregated Sponsored Account for which it is the Sponsor, incurred or suffered by any of the Clearing House, any Market or any of their Directors or directors (as the case may be), officers ~~or~~, employees ~~or~~, committees (or any individual committee member) or those of their Affiliates arising out of the Defaulter's conduct (whether such conduct took place prior to or after declaration of the Event of Default) or in connection with the Event of Default. Rule 111(b) shall apply in respect of this Rule 905(f) in the same way as it applies to Rule 111(a).
- (g) For all liquidations, terminations and close outs of Contracts pursuant to this Rule 905, the Clearing House shall, at its discretion, determine the price of the Contract, which may be on the basis of the Exchange Delivery Settlement Price, the Mark-to-Market Price, the FX Market Price, Reference Price, Market-to-Market Value, current market value or any other price specified by it. Any such price may be calculated with reference to any time determined at the Clearing House's discretion, which may be at the time such cancellation is ordered, the time an Event of Default, Insolvency, Unprotected Resolution Step occurs or is declared, or the time of calculation of any price as at the end of the Business Day prior to the Transfer, Event of Default, Insolvency or Unprotected Resolution Step.

Rule 906 *Net Sums Payable*

- (a) Following discharge of a Defaulter's rights, obligations and liabilities under Contracts pursuant to this Part 9, the Clearing House shall carry out the following calculation separately in respect of each different Proprietary Account and each different Customer

Account of the Defaulter. Upon termination of all Contracts following an Event of Default, the only obligation of the Clearing House or Defaulter, except for any obligation which had already fallen due for performance but at the time had not been performed (which obligations would be taken into account in the calculation of the net sum, save to the extent that any party has become subject to an irrevocable Transfer Order under Part 12 or the Settlement Finality Regulations) shall be limited to calculation and payment of the net sum and such other obligations as are expressed to apply in Rule 209 or this Part 9. Following an Event of Default, there shall be no requirement for future payments or deliveries to be made in respect of any terminated Contracts (including in each case no requirement to pay or deliver any related Margin that has not at the time fallen due for payment, except as part of the net sum). The calculation set out below follows the requirements relating to "requirements of the EMIR Regulation" as set out at section 29, Part 5 of the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995), the requirements for a 'Default waterfall' in EMIR, and other requirements of Applicable Law. The methodology involves aggregating or setting off various amounts (as applicable) so as to produce separate net sums for each different Proprietary Account and each different Customer Account of the Defaulter (each such net sum, *N*) in each case defined by the formula:

$$N = L - A - D - C - M - GFC - SC - OA + OL$$

where such letters have the meanings set out below in this Rule 906(a):

L = the aggregate amount, expressed as a positive number, of all sums payable by the Defaulter in respect of Contracts recorded in the relevant Account (which are not voidable and voided by the Clearing House pursuant to Part 4) taking into account any of the following actions under Rule 903, 904 or 905:

- (i) termination, liquidation or close out in relation to Contracts to which the Defaulter is or was party;
- (ii) the Transfer of any of the Defaulter's Contracts to a Transferee Clearing Member (not being the Defaulter) or acceptance or entry into by a Clearing Member of any of the Defaulter's Contracts or contracts similar to any of the Defaulter's Contracts; and
- (iii) the exercise ~~by the Clearing House~~ or abandonment of any Option,

plus all amounts that were payable but remain unpaid by the Defaulter under the terms of Contracts, plus any costs and expenses of the Clearing House in any way relating to any Contract to which the Defaulter was party, including, without limitation, legal, accountancy or other professional services expenses and disbursements, the costs of close-out, termination or Transfer of Contracts and any amount payable by the Clearing House to any Person in respect of tax in connection with the Defaulter or its Contracts, Margin, obligations or the Event of Default; but excluding, in respect of a Contract where the Defaulter acts as agent (if any), any liabilities attributable to the Defaulter arising out

accordance with CFTC Rule 22.15, and provided, further, that where an amount payable by the Defaulter as determined in $L(i)-(iii)$ includes a net obligation (after taking into account Variation Margin or Mark-to-Market Margin in accordance with the 'Note on calculation of the amounts in L and A ') in respect of Open Contract Positions of the Defaulter in relation to multiple Customer Swap Portfolios, M shall include the FCM Swap Customer IM allocated to each Customer Swap Portfolio to which a corresponding payment or margin obligation to the Clearing House is referable up to the amount of such payment or obligation, excluding Surplus Collateral but including in any such case under $M(i)$, (ii) or (iii) any such Margin transferred to the Clearing House by the Defaulter relating to the relevant Account and any amounts received by the Clearing House pursuant to a letter of credit or Controller Guarantee entered into in favour of the Clearing House in satisfaction of such applicable Margin requirements on the relevant Account that would, if the Margin was funded, fall under M .

GFC = the value, expressed as a positive number, of any property provided by or on behalf of the Defaulter as Guaranty Fund Contributions, which may be applied in connection with the net sum for any Customer Account or the Proprietary Account of the Defaulter [in accordance with Rules 906\(b\) and \(c\)](#) at the discretion of the Clearing House regardless of the basis under which any Guaranty Fund Contribution was calculated under Rule 1101(e), provided that the total applied to the Customer Accounts and Proprietary Account of a Defaulter under GFC shall not exceed the total Guaranty Fund Contributions of the Defaulter.

SC = the value, expressed as a positive number, of any property provided by or on behalf of the Defaulter in respect of the relevant Account that constitutes Surplus Collateral, including, where applicable, any such amounts received by the Clearing House pursuant to a letter of credit or Controller Guarantee in favour of the Clearing House not falling under M , but excluding any Pledged Collateral returned to a Clearing Member or any of its Customers pursuant to Rule 502(i) or amounts not needed that are returned to the letter of credit issuer.

OA = the aggregate of any amounts, expressed as a positive number, not falling under A , D , C , M , GFC or SC standing to the credit of the Defaulter or payable to the Defaulter or any right or claim of the Defaulter against the Clearing House relating to the relevant Account, in any case whether pursuant to these Rules, any Contract or otherwise, including without limitation:

- (i) any available assets that would be recorded in the Proprietary Account but for Rule 906(c);
- (ii) any amount due from the Clearing House to the Defaulter following the exercise of rights of use and/or appropriation in respect of Pledged Collateral pursuant to Rule 905(b) and the relevant Pledged Collateral Addendum;

- (xvi) each of the Defaulter's Standard TTFCOA Omnibus Indirect Accounts For CDS, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;
- (xvii) each of the Defaulter's Standard Omnibus Indirect Accounts For FX, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;
- (xviii) each of the Defaulter's Standard TTFCOA Omnibus Indirect Accounts For FX, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;
- (xix) each of the Defaulter's Segregated Gross Indirect Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account; and
- (xx) each Individually Segregated Sponsored Account of the Defaulter or for which the Defaulter acted as Sponsor, including, and in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;
- (xxi) each of the Defaulter's Proprietary Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account not falling under Rule 906(b)(i) to (xx).

Each Clearing Member shall be deemed to represent, warrant and agree on an ongoing basis that, if it were to become a Defaulter, any net sums to be determined in accordance with paragraphs (i) to (xxi) above do not: (aa) (in relation to a Defaulter that has a Customer Account) involve any setting off against each other of positions and assets recorded in any of the Defaulter's Customer Accounts against any of the Defaulter's Proprietary Accounts or any other Customer Account of that Defaulter, in any circumstances which would contravene section 182A of the Companies Act 1989; (bb) (in relation to a Defaulter with more than one Customer Account) involve setting off against each other of positions and assets recorded in each of the Defaulter's different Customer Accounts against any of the Defaulter's Proprietary Accounts or any other Customer Account of that Defaulter, in any circumstances which would contravene section 182A of the Companies Act 1989; and (cc) (in relation to a Defaulter with more than one Proprietary Account) involve any setting off against each other of positions and assets recorded in each of the Defaulter's different Proprietary Accounts, against any of the Defaulter's Customer Accounts or any other Proprietary Account of the Defaulter, in any circumstances which would contravene section 182A of the Companies Act 1989.

The Defaulter's Guaranty Fund Contributions and amounts received by the Clearing House under a Controller Guarantee or standby letter of credit of a Defaulter may be used for the purpose of calculating any net sum on any Account relating to that Defaulter (provided that any such amounts are not double counted), in accordance with Rule 906(a) and subject to the restrictions in Rule [906\(c\)](#), [Rule 908](#), [Rule 102\(q\)](#) and this Rule 906(b) as determined by the Clearing House. The aggregate sums finally payable shall be

separately certified under Rule 906(e). Where and to the extent that the Clearing House determines to apply Guaranty Fund Contributions or amounts received by the Clearing House under a Controller Guarantee or standby letter of credit to any Customer Account, such amounts must first be applied to reduce any losses on Customer Accounts, on a *pro rata* basis among Customer Accounts which would otherwise have a net sum representing a shortfall or loss.

- (c) The Clearing House ~~may~~shall aggregate, set off or apply any Margin, Surplus Collateral or other surplus assets available to it in relation to a Defaulter's Proprietary Account to meet a shortfall on any one or more of that Defaulter's Customer Accounts or Individually Segregated Sponsored Accounts for which the Defaulter acted as Sponsor (and, if it does so, shall include any such amounts within the net sum to be calculated in relation to such Customer Account), provided that if any amounts are so aggregated, set off or applied, the amount *A, D, C, M, SC* or *OA* (as applicable) and consequently the net sum payable by the Clearing House in relation to the Defaulter's Proprietary Account shall be reduced by the same amount as is so included within the net sum for the relevant Customer Account. The Clearing House may not aggregate, set off or apply any Margin, Surplus Collateral or other surplus available to it in relation to one of the Defaulter's Customer Accounts (or any Individually Segregated Sponsored Account of the Defaulter or for which the Defaulter acted as Sponsor) to meet a shortfall on another of that Defaulter's Customer Accounts (or an Individually Segregated Sponsored Account of the Defaulter or for which the Defaulter acted as Sponsor). The Clearing House may not aggregate, set off or apply any Margin, Surplus Collateral or other surplus available to it in relation to one of the Defaulter's Customer Accounts or any Individually Segregated Sponsored Account to meet a shortfall on the Defaulter's Proprietary Account. Where and to the extent that the Clearing House determines to apply Proprietary Account assets of a Defaulter to any Customer Account, such amounts must first be applied to reduce any losses on Customer Accounts, on a *pro rata* basis among Customer Accounts which would otherwise have a net sum representing a shortfall or loss.
- (d) Where N is a positive number, the net sum equal to N shall be payable by the Defaulter to the Clearing House. Where N is a negative number, the net sum equal to the absolute value of N shall be payable by the Clearing House:
- (i) in the case of an FCM/BD Clearing Member, to the Defaulter; or
 - (ii) in the case of a Non-FCM/BD Clearing Member, to the Defaulter or as required pursuant to article 48(7) of EMIR, or otherwise at the Clearing House's election and discretion (as permitted by Applicable Law):
 - (A) in respect of a Customer Account, directly to a Customer;
 - (B) in respect of a Customer Account used for indirect clearing under EMIR, directly to an indirect client of a Customer; or

Sponsored Principal for each applicable Membership Category to which the Failure to Pay relates, and Rule 906 shall be interpreted accordingly;

- (iv) in relation to an Individually Segregated Sponsored Account:
 - (A) both the Sponsor and Sponsored Principal will remain jointly entitled to bring any claim against the Clearing House and jointly and severally liable in respect of any liability on an Individually Segregated Sponsored Account, pursuant to Part 19;
 - (B) in discharge of its obligations in respect of an Individually Segregated Sponsored Account, the Clearing House may pay any net sum due from it in respect of the Account to or to the account of either the Sponsor or Sponsored Principal;
 - (C) in the event of any conflict between any instructions from the Sponsor and Sponsored Principal in relation to the payment of any net sum due to or from the Clearing House on the Individually Segregated Sponsored Account, the Clearing House shall make or first demand payment (as applicable) to or from the Person who, immediately prior to the Insolvency or Failure To Pay, was operationally responsible for meeting and receiving Margin in respect of the Account pursuant to Rule 1902 or 1905, without prejudice to the Clearing House's right to pursue either the Sponsor or Sponsored Principal for any amounts due to the Clearing House; and
 - (D) the identity of the payee or payer of any net sum from or to the Clearing House in respect of an Individually Segregated Sponsored Account shall not affect any obligation to account between a Sponsor and Sponsored Principal in respect of such amounts pursuant to the applicable Customer-Clearing Member Agreement or Standard Terms; and
 - (v) otherwise, this Part 9 shall apply *mutatis mutandis* in relation to terminated Contracts and rights, obligations and liabilities relating thereto.
- (c) If the Clearing House becomes aware of there being or occurring an Insolvency or Failure To Pay in respect of the Clearing House, the Clearing House will promptly issue a Circular specifying that the same has occurred.

Rule 913 *Definitions used in the remainder of this Part 9*

- (a) The following additional definitions apply to the following sections of this Part 9:
 - (i) The term "**Adjustment Amount**" means, in respect of all the Margin Account(s) of any Contributor and any Loss Distribution Day, an amount equal to the sum of the Cumulative Unadjusted Gains, Losses and Realised Cash Flows in respect of such Margin Account(s) of such Contributor less the sum of the Cumulative Actual Gains, Losses and Realised Cash Flows in respect of such Margin

Original/Initial Margin and Permitted Cover that is not otherwise used to offset amounts representing losses in the net sum calculation as a result of the Default); and

GF&M(all) is the total of all Original/Initial Margin, Guaranty Fund Contributions and Permitted Cover in respect thereof for all Contract Categories across all Accounts of all Clearing Members at the time of the event giving rise to the Investment Loss (less Original/Initial Margin, Guaranty Fund Contributions and Permitted Cover in respect thereof provided by Defaulters that is used to offset amounts representing losses in the net sum calculation pursuant to these Rules as a result of the Default and excluding the Clearing House Contributions and Loss Assets).

- (e) The Collateral Offset Obligation of any Clearing Member shall at no time exceed the total of the Original/Initial Margin, Guaranty Fund Contributions and Permitted Cover in respect thereof that it has ~~deposited with or~~ transferred to the Clearing House at the time of the event giving rise to the Investment Loss across all its Accounts.
- (f) All Collateral Offset Obligations shall arise on the date specified in the Circular under Rule 919(c). Any Collateral Offset Obligations falling due may, at the election of the Clearing House, be offset against the obligation of the Clearing House to return or pay any Original/Initial Margin, Guaranty Fund Contributions or other Permitted Cover to a Clearing Member and will be collected pursuant to a call for additional cash Margin or cash Guaranty Fund Contributions from a Proprietary Account of the Clearing Member in accordance with Rule 302 and the Finance Procedures. In the case of a Defaulter, Collateral Offset Obligations may, at the election of the Clearing House, be included in any net sum calculation or offset against any obligation to return or pay outside of the net sum calculation any Original/Initial Margin, Guaranty Fund Contributions or other Permitted Cover that has not been included in the net sum calculation pursuant to these Rules as a result of the Default. Collection from a Proprietary Account is not intended to prevent the Clearing Member from passing on the cost of a Collateral Offset Obligation to any of its Customers under the relevant Customer-Clearing Member Agreement or Standard Terms, to the extent that the Collateral Offset Obligation relates to Margin on a Customer Account or is otherwise attributable to a Customer and to the extent permitted by Applicable Laws.
- (g) The Clearing House shall apply Collateral Offset Obligations solely to meet Investment Losses referred to in a Circular under Rule 919(c).
- (h) If, after any Collateral Offset Obligations have fallen due, the Clearing House collects amounts from an issuer, counterparty or otherwise so as to reduce an Investment Loss, in either case in cleared funds, the Clearing House shall be obliged to pay the amount or value of Permitted Cover so collected (less any expenses of the Clearing House, including without limitation any expenses incurred in connection with recovery) to the Clearing Members that provided such Collateral Offset Obligations *pro rata* in respect of satisfied Collateral Offset Obligations relating to the event in question, subject to the Clearing House first retaining or repaying amounts up to the amount of any assets of the Clearing House (not being Loss Assets) or other Persons applied to meet the Investment

Part 10 Disciplinary Proceedings

Rule 1001 *Complaints*

- (a) The Clearing House shall consider all complaints made to it in writing by a Clearing Member and may consider any complaints made to it by any other person. If the Clearing House, in its discretion, considers it appropriate or if it is otherwise compelled to do so under any Applicable Law, the Clearing House may refer the matter or make a report on the matter to a Market, Regulatory Authority or Governmental Authority.
- (b) In the case of a complaint which alleges a breach of these Rules, the Clearing House may authorise an investigation or commence disciplinary proceedings under this Part 10 or take no further action if it considers it disproportionate or otherwise, in its discretion.
- (c) The Clearing House shall inform the complainant in writing of any steps taken as a result of the complaint and of the result thereof.
- (d) In the event of a complaint against the Clearing House or any of its Directors, officers ~~or~~, employees or committees (or any individual committee member) (or agents in their capacity as such), such complaint shall be investigated in accordance with the ~~Complaints~~ Complaint Resolution Procedures and shall not otherwise be subject to this Part 10.

Rule 1002 *Investigations*

- (a) Investigations into breaches or alleged breaches of the Rules may be authorised and conducted by the Clearing House.
- (b) Upon determining that a complaint, matter or concern requires investigation, the Clearing House shall issue a Notice of Investigation ("NoI") notifying the Clearing Member concerned that an investigation has been commenced. The NoI shall be sent to the Clearing Member or the person concerned and shall contain a brief description of the ~~matter~~ issue under investigation.
- (c) In the course of conducting an investigation, the Clearing House may ~~call for~~ obtain the assistance of such professional, legal or accounting advisers, Clearing Organisations, Exchanges, Regulatory Authorities and advisers or other Persons as it thinks fit. Any external adviser appointed by the Clearing House shall be required to treat all information obtained as well as any information he has been given access to in the course of the investigation as confidential and to disclose it only to the Clearing House, save where compelled to disclose such documents to a third party under any Applicable Law.
- (d) Clearing Members shall co-operate fully with all investigations (whether or not such Clearing Member or person is the direct subject of such investigation). Without limitation, each Clearing Member shall:
 - (i) promptly furnish to the Clearing House, or, if the Clearing House so directs, provide the Clearing House with access to, such information and documentary

and other material (including any information in electronic form) as may reasonably be requested (including without limitation in the case of Clearing Members, details of the Clearing Member's Customers' accounts);

- (ii) permit those persons appointed to carry out or assist in carrying out the investigation on reasonable notice, such notice being commensurate with the seriousness of the potential or alleged breach of the Rules and to enter any premises in any part of the world where the Clearing Member carries on its business or maintains its records during normal business hours for the purpose of carrying out such investigation. Each Clearing Member hereby irrevocably grants the Clearing House a licence for this purpose and shall procure a licence to the Clearing House from any Affiliated Person, agent or third party under its control that is necessary for this purpose;
 - (iii) ~~exereise~~use its best endeavours to make available for interview such of the Clearing Member's Representatives as may reasonably be requested and use its best endeavours to ensure that such persons answer truthfully and fully any question put to him or them by or on behalf of the Clearing House. A Clearing Member who fails to procure that any of its Representatives ~~to~~ attend an interview or hearing with the Clearing House and who fails in the reasonable opinion of the Clearing House to demonstrate good cause for such failure may be fined £1000 per day of non-attendance, such fine representing a genuine pre-estimate of the likely cost to the Clearing Houses attributable to such non-attendance, and in addition the Clearing Member may be suspended by the Clearing House until the Clearing Member takes reasonable steps to make its Representatives available on an alternative date;
 - (iv) make available for inspection, or, if the Clearing House so directs, provide the Clearing House with access to, such documents, records or other material in its possession, power or control as may reasonably be required and, upon request, provide copies of the same; and
 - (v) use its best endeavours to ensure that so far as possible its Representatives give similar co-operation.
- (e) Failure to co-operate with an investigation by the Clearing House, failure to provide information requested on a timely basis and concealment or destruction of evidence are each, for the avoidance of doubt, a breach of these Rules and can give rise to further disciplinary action being taken against the Clearing Member.
- (f) ~~The~~Once the Clearing House, ~~having conducted an~~ has concluded its investigation into an alleged breach of the Rules, it shall send to the relevant Clearing Member a letter of mindedness ("**Letter of Mindedness**") setting out its preliminary factual conclusions and its intended course of action in relation to the alleged breach.
- (g) Following its issuing service of the Letter of Mindedness, the Clearing House shall invite the Clearing Member to either attend an initial meeting ("**IM**") or alternatively send the

Clearing House written comments. The purpose of the IM or the written comments shall be to afford the Clearing Member an opportunity to correct any factual ~~error~~error(s) or inaccuracy it considers to be contained in the Letter of Mindedness. The IM is not intended to be a hearing. The ~~proceedings of the~~ IM will take place in private on a confidential basis, subject, in the case of the Clearing House, to Rule 106. The Clearing House and Clearing Member shall each be entitled to nominate up to four attendees, who may include lawyers or legal advisers.

- (h) Following the IM or the receipt of written comments from the Clearing Member (if received within a reasonable time) the Clearing House shall finalise its initial findings and communicate these and any of the steps it proposes taking under Rule 1002(i) in writing to the Clearing Member. The Clearing House will notify the Clearing Member of: (i) any act or practice which the Clearing Member has been found to have carried out or omitted; (ii) a citation of the relevant provisions which are considered to have breached; and (iii) the proposed sanction to be imposed and the reasons therefor.
- (i) Without prejudice to any other powers, ~~the possible powers of the Clearing House following the completion of its investigation and the communication of its initial findings to the Clearing Member include~~House may:
- (i) ~~to~~ decide that no further action should be taken and notify any Clearing Member or other Person concerned in writing accordingly;
 - (ii) in the event of a minor breach, to issue a written warning (which shall be private save as provided for in Rule 1002(i)(vii) below) to the Clearing Member concerned (or, in the case of such a breach by some other Person, that Person with a copy to any Clearing Member with whom he was associated at the time of such breach);
 - (iii) ~~to~~ order that the Clearing Member concerned pay a fine which the Clearing House in its discretion regards as commensurate with a breach of the Rules, the amount of such fine to be ~~appellable~~appealable to the ~~Appeals~~Appeal Panel directly without reference first to a Disciplinary Panel;
 - (iv) ~~to~~ commence disciplinary proceedings under Rule 1003 et seq.;
 - (v) ~~to~~ refer the matter for further enquiry by the Clearing House, a Market or a Governmental Authority where the Clearing House considers it necessary to investigate further;
 - (vi) ~~to~~ report the findings of the investigation and hand over any documents or communicate any information it has acquired whether during the course of its investigation or otherwise, to other Clearing Organisations, Exchanges, Regulatory Authorities or Governmental Authorities; ~~or~~
 - (vii) ~~to~~ publish such findings as it has made following the IM or after having received written comments and in such detail as the Clearing House deems appropriate where the matter under investigation is considered of relevance to the market in

general or in the public interest, save that the Clearing Member shall be afforded an opportunity to comment on the text of such an announcement during a period of no less than 48 hours prior to publication, such period commencing on a Business Day; or

(viii) any combination of the foregoing.

provided that the Clearing House may, in an appropriate case, take more than one of the above actions in relation to any one Clearing Member and/or different actions in relation to different Clearing Members concerned in the same investigation or on similar facts.

Rule 1003 *Disciplinary Proceedings*

- (a) Disciplinary proceedings may be commenced by the Clearing House only when the Clearing House is satisfied ~~(whether or not a formal investigation has taken place under this Part 10)~~ that there is *prima facie* evidence of a breach of the Rules by a Clearing Member.
- (b) Upon determining that disciplinary proceedings should be commenced, the Clearing House must notify the Clearing Member in writing that disciplinary proceedings are to be commenced and establish a Disciplinary Panel. Each Disciplinary Panel shall consist of a chairman sitting with two other persons. Such persons, including the ~~Chairman, that chairman, who~~ are appointed to the Disciplinary Panel may be drawn from market practitioners, experts, lawyers or other suitable persons at the discretion of the Clearing House. The Clearing House shall appoint the chairman and members of the Disciplinary Panel. Neither employees nor directors of the Clearing House or Clearing Member subject to disciplinary proceedings nor any of their Affiliated Persons, Representatives or Customers shall be appointed to a Disciplinary Panel. Expert assessors may be appointed, at the discretion of the Disciplinary Panel itself, to sit with and advise the Disciplinary Panel but such persons shall not be entitled to vote. No person shall ~~serve on or sit with~~ be appointed to a Disciplinary Panel or be eligible as an expert assessor if he has ~~any~~ personal or financial interest in the investigation which has led to the current disciplinary proceedings or has been involved in any investigation into or previous ~~disciplinary panel hearing on~~ Disciplinary Panel dealing with or relating to the matter ~~under consideration~~ which is the subject of the current disciplinary proceedings.
- (c) The Clearing Member ~~alleged to have committed the breach may in respect of~~ whom the disciplinary proceedings are to be brought shall be notified of the composition of the Disciplinary Panel within seven calendar days of it having been established. The said member will then have a further ten calendar days to object to any particular appointment to the Disciplinary Panel, ~~which. Such~~ objection which must be in writing will be sent to the Clearing House and its validity will be determined in the first instance by the chairman of the Disciplinary Panel and, in the event that the objection ~~is in relation~~ related to the appointment of the chairman of the Disciplinary Panel, the Chairman of the Clearing House.

- (d) In the event ~~of that~~ any member of the Disciplinary Panel having or acquiring a personal or financial interest in the ~~outcome~~ subject matter of the disciplinary proceedings 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 Clearing House) may direct that the Disciplinary Panel shall either 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~~ hear the matter.
- (e) In the event of an equality of votes in relation to any matter before the Disciplinary Panel, the chairman shall have a second or casting vote in reaching any determination.
- (f) The Clearing House may discontinue disciplinary proceedings or reach a settlement with the Clearing Member on such terms as it sees fit at any stage during the course of the disciplinary proceedings (including any Summary Procedure pursuant to Rule 1004 or any appeal).
- (g) ~~When~~ After the appointment of a Disciplinary Panel, the Clearing House ~~commences disciplinary proceedings, it shall send a~~ shall serve a formal written notice ("Notice") ~~to~~ on the Clearing Member, setting out the alleged breach of the Rules, including a summary of the facts relied upon in sufficient detail ~~for to enable~~ a party in the Clearing Member's position properly to understand and respond to the allegations made against it.
- (h) The Clearing Member ~~or other person the subject of a Notice~~ shall have 20 calendar days (or such further time as either the Clearing House or Disciplinary Panel may in their discretion allow) from the date of service of the Notice in which to ~~provide~~ serve a statement of defence (the "**Defence**") ~~responding to all or any of. The Defence shall state whether the Clearing Member the subject of a Notice accepts the allegations, stating its intended pleas in the Notice and what admissions of fact, if any, it makes. If no Defence has been served within 20 calendar days of service of the Notice or such extended period as has been agreed, the Disciplinary Panel may in its discretion deem the Clearing Member to have agreed to and~~ accepted the facts and matters ~~alleged~~ specified in the Notice.
- ~~(i) Having seen and considered the Defence, the Clearing House may proceed with the disciplinary proceedings, discontinue the disciplinary proceedings or deal with the matter as set out in Rule 1003(j).~~
- (i) ~~(j)~~ The Clearing House may at any time amend a Notice by a change to the breach alleged in the Notice, addition of another breach to that specified in the Notice, or any other deletion, alteration or addition, change to the Rule breach alleged in the Notice or addition of another Rule breach in the Notice provided that:
- (i) the deletion, alteration, addition, change, amendment or variation ~~is relevant to the course of~~ arises out of or in connection with the conduct ~~under investigation~~ which is the subject of the Disciplinary Proceedings;

- (ii) the essential character of the ~~allegation or Rule~~ nature of the breach has not been changed even though further evidence may have become available;
- (iii) the Clearing Member or other respondent would not be substantially prejudiced in any defence he might wish to put before the Disciplinary Panel; and
- (iv) the Disciplinary Panel has not previously and does not subsequently make a procedural ruling adverse to the Clearing House in connection with such deletion, alteration, addition, change, amendment or variation.

Following any such deletion, alteration, addition, change, amendment or variation of a Notice, the Clearing House shall serve an amended Notice on the Clearing Member.

- (j) ~~(k)~~ For the avoidance of doubt, the power of the Clearing House to amend a Notice ~~will exist~~ exists where the Clearing House has in its discretion determined that a separate or unrelated *prima facie* breach of the Rules has been revealed during the course of the disciplinary proceedings. The Disciplinary Panel may order an adjournment of the disciplinary proceedings at any stage upon an application by the Clearing House to enable such an alleged separate or unrelated *prima facie* breach to be investigated further. The Clearing House ~~shall~~ is not ~~be obliged~~ required to hold a further IM or otherwise consult with the Clearing Member in respect of additional or new alleged breaches which come to its attention during the disciplinary proceedings whether or not any further investigations are carried out by the Clearing House.
- (k) ~~(l)~~ ~~Upon amendment of a~~ Following service of any amended Notice, the Clearing Member shall have 14 calendar days or such extended period as may be agreed with the Clearing House or as directed by the Disciplinary Panel to make any consequential amendment of its Defence. If no amended Defence ~~has been~~ is served within 14 calendar days of service of the amended Notice on the Clearing Member, the Disciplinary Panel may in its discretion deem the Clearing Member to have accepted the facts and matters alleged in the Notice as amended.
- (l) ~~(m)~~ The Disciplinary Panel shall hear submissions on the matter of the alleged breach of the Rules and shall determine whether there has been a violation of the Rules and, if so, the appropriate sanction (if any) to be imposed. In carrying out this function, the Disciplinary Panel acting as a whole or through the ~~Chairman~~ chairman may adopt such procedure as it thinks fit to deal with disciplinary proceedings, including any hearing as well as the holding of a pre-hearing review to hear procedural applications by the Clearing House or Clearing Member at any stage following its composition or in order to set a procedural timetable. Without limitation, the Disciplinary Panel may:
 - (i) order the disclosure by the Clearing House or Clearing Member of such further statements, information, documents or other evidence as may be necessary;
 - (ii) allow either party to the disciplinary proceedings to ~~present to it~~ serve further evidence within time limits ordered by the Disciplinary Panel;

- (iii) issue directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the case;
 - (iv) balancing the need for cases to be dealt with expeditiously and the need for affected Persons to have sufficient opportunity to prepare and present their case: specify deadlines for the production of documents or dates for hearings, which shall be binding on the parties;
 - (v) if it considers appropriate, but only with the express written agreement of the Clearing House and the Clearing Member concerned (or the Person concerned and any associated Clearing Member), decide to determine the case upon written submissions and evidence placed before it;
 - (vi) 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;
 - (vii) allow the Clearing Member and the Clearing House to be assisted or represented by any person, who may or may not be legally qualified;
 - (viii) call for any person to attend its hearings;
 - (ix) require hearings to be held in private unless the Clearing Member or Clearing House requests otherwise and the other consents; and
 - (x) appoint its own legal advisers.
- (m) ~~(n)~~ 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.
 - (n) ~~(o)~~ 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 ~~any~~ any legally constituted court, tribunal, arbitrator, expert or any other Governmental Authority.
 - (o) ~~(p)~~ If the Clearing House or Clearing Member should fail to meet a time limit imposed by the Disciplinary Panel or fail to attend a hearing, the Disciplinary Panel may in its discretion allow an extension of time, or adjourn its proceedings or proceed, if necessary in the absence of the Clearing Member.
 - (p) ~~(q)~~ ~~Upon having determined~~ Following a hearing and having reached a decision as to whether a breach of the Rules has been proven in accordance with the standard of proof set out in Rule 1003(~~nm~~), the Disciplinary Panel shall communicate in writing ~~its findings and particulars of any sanction determined~~ its findings to the Clearing House and to the Clearing Member concerned. ~~Such findings and sanction~~ its decision with reasons

including, where appropriate, details of the breach and particulars of any sanction determined. For the avoidance of doubt, the Disciplinary Panel will notify the Clearing Member of: (i) any act or practice which the Clearing Member has been found to have carried out or omitted; (ii) a citation of the relevant provisions which are considered to have breached; and (iii) the proposed sanction to be imposed and the reasons therefor. Such decisions shall be deemed conclusive and binding upon expiry of the time permitted for the service of a notice of 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. ~~The Disciplinary Panel may~~If a notice of appeal is served by the Clearing Member then any sanction shall be suspended until determination of the Appeal unless the Clearing House considers that in its absolute discretion ~~communicate its findings to the parties and give them~~any order for suspension of the Clearing Member should be enforced during the period prior to the determination of the Appeal. The Disciplinary Panel, where there is a finding that there has been a disciplinary breach, may in its absolute discretion communicate that finding to the parties and give them the opportunity to make representations as to the appropriate sanction(s) before deciding on the sanction(s) as well as any costs issues.

- (q) ~~(+)~~ Subject to Rule 1003~~(ut)~~, the sanctions which may be imposed on a person subject to the Rules by a Disciplinary Panel shall ~~be communicated to the Clearing Member and shall~~ not exceed the following:
- (i) the issue of a private warning or reprimand;
 - (ii) the issue of a public notice of censure;
 - (iii) in the case of a Representative, a finding that any Clearing Member for which such Representative is a director, controller ~~or~~, officer or employee would not meet the Clearing House's membership criteria for any period or indefinitely;
 - (iv) in the case of a Clearing Member, disqualification (either indefinitely or for a fixed term) of any of its Representatives from being a Director or member of a committee or any panel of the Clearing House;
 - (v) a fine of any amount, to be paid on such terms as may be prescribed;
 - (vi) the disgorgement of any gain made by the Clearing Member or its Representatives in connection with the breach of the Rules;
 - (vii) a recommendation to the relevant Market and/or Clearing House to suspend membership for a period of time or terminate the membership of the Clearing Member;
 - (viii) ~~the issue of~~ an order requiring the Clearing Member or Representative found to have committed the breach to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation including, without limitation, making an order for restitution to any affected

person when the Clearing Member (or person concerned) has profited (or avoided a loss) from a breach at that person's expense;

- (ix) in an appropriate case, more than one of the above actions in relation to any one Clearing Member and/or different actions in relation to different Clearing Members concerned in the same investigation or on similar facts; and
- (x) any combination of the foregoing.

(f) ~~(s)~~ Following ~~the~~any order by a Disciplinary Panel for the suspension or expulsion of a Clearing Member, the Clearing House may make such directions as it thinks fit in respect of Contracts to which that Clearing Member is a party (including, without limitation, directions for the reduction, transfer or ~~elimination~~liquidation of any of them).

(s) ~~(s)~~

(i) The contravention by a Clearing Member of any sanction imposed or direction made under or pursuant to Rule 1003~~(ap)~~ may be treated for all purposes as a breach of the Rules.

(ii) A Disciplinary Panel may order any party to the proceedings to pay costs as it ~~thinks~~considers appropriate, including, but not limited to the costs of running the Disciplinary Panel, including the fees and expenses of the members of the Disciplinary Panel, any further administration costs directly attributable to the disciplinary proceedings, costs incurred in the investigation, preparation and presentation of the case, including the costs of the Clearing House's and Disciplinary Panel's external advisers. Any order in relation to payment of costs may also specify the manner of assessment to be used as well as a timetable for payment.

(i) ~~(s)~~ The following sanctions may be imposed by a Disciplinary Panel where the conduct in question is found by the Disciplinary Panel to result in whole or in part from the conduct of a Customer or client of a Customer of a Clearing Member:

- (i) the issue of a private warning or reprimand naming the Customer or client of a Customer or any of their Representatives;
- (ii) the issue of a public notice of censure naming the Customer or client of a Customer or any of their Representatives;
- (iii) a recommendation to the Clearing House to suspend the Customer or client of a Customer (either indefinitely or for a fixed term) or any of their Representatives from being a Director or member of a committee of the Board or any panel established under the Rules or from being a Customer or client of a Customer of any Clearing Member of the Clearing House for purposes of Clearing or the Clearing of any particular product at the Clearing House;

- (iv) a fine of any amount, to be paid by such Person as is specified by the Disciplinary Panel to the Clearing House (which shall be binding on the Customer or client of a Customer or any of their Representatives if so specified by the Disciplinary Panel), on such terms as may be prescribed;
- (v) the disgorgement of any gain made by the Customer or client of a Customer or any of their Representatives in connection with the breach of the Rules payable by such Person as is specified by the Disciplinary Panel to the Clearing House (which shall be binding on the Customer or client of a Customer or any of their Representatives if so specified by the Disciplinary Panel), on such terms as may be prescribed;
- (vi) in an appropriate case, more than one of the above actions in relation to any one Customer or client of a Customer or any of their Representatives and/or different actions in relation to different Customers or clients of Customers or any of their Representatives concerned in the same investigation or on similar facts; and
- (vii) any combination of the foregoing.

The Disciplinary Panel shall only impose any sanction on a Person that it determines is or was responsible (whether solely, jointly or by way of contribution) for the relevant conduct. If sanctions are to be imposed as a result of any conduct of a Customer or client of a Customer, the relevant Clearing Member may present information or evidence to the relevant Disciplinary Panel as to whether any sanctions should be limited to those set out in this Rule 1003~~(ut)~~. If any pecuniary sanction imposed by a Disciplinary Panel is expressed to be payable by a Customer or any of its clients or their Representatives but not to be payable by the Clearing Member, the Clearing Member shall not be liable for payment of, or to collect, any such amount.

Rule 1004 *Summary Procedure*

- (a) A Clearing Member may submit in writing a request that the Clearing House adopt a summary procedure under this Rule 1004 ("**Summary Procedure**") for disposing of the matter within 14 days of a Notice being served. Such notice may be served by the Clearing Member at any time prior to the formation of the Disciplinary Panel.
- (b) The Clearing House may in its discretion agree to refer the matter to the Summary Procedure and shall notify the Clearing Member of any such determination. The Clearing House may refuse its agreement to use of a Summary Procedure where a Disciplinary Panel would in its view be a better forum to deal with the matter, which may (without limitation) be the case if the allegations are particularly serious or if the subject matter is considered of particular significance or relevance to the market in general or in the public interest.
- (c) Upon ~~reference of agreement to refer~~ the matter to the Summary Procedure the Clearing House in its absolute discretion shall ~~nominate~~appoint three Directors or employees of the Clearing House or of any Clearing Member other than the Clearing Member subject to the Summary Procedure ~~to hear the submissions of the Clearing Member into the~~

- ~~alleged breach~~, who shall form a Summary Disciplinary Committee. The Clearing House shall ~~nominate~~appoint one such member of the Summary Disciplinary Committee to act as ~~Chairman~~chairman.
- (d) The Summary Disciplinary Committee shall make such directions as to the ~~procedural~~ conduct of the case ~~before it~~as well as the hearing as it sees fit.
- (e) The Summary Disciplinary Committee 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. The Summary Disciplinary Committee 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 by a legally appointed court, tribunal, expert, arbitrator or Governmental Authority.
- (f) ~~The~~All ~~hearings~~ before the Summary Disciplinary Committee shall ~~hold a private hearing at which the Clearing Member shall be present in order to put to the Clearing Member the alleged breach of the Rules and hear any submissions the Clearing Member or its Representatives make in relation to the alleged breach or the mitigation.~~be held in private unless the Clearing House and the Clearing Member agree otherwise.
- (g) None of the Clearing House, the Clearing Member or the Summary Disciplinary Committee shall be represented by legal advisors at a hearing except with the prior express agreement of the Summary Disciplinary Committee.
- (h) Save as provided in Rule 1005, a Clearing Member that chooses to submit itself to the Summary Procedure expressly waives any right of appeal or review by any body including any court of law against any determination or ruling of the Summary Disciplinary Committee.
- (i) The Summary Disciplinary Committee shall, following the hearing, determine whether a Clearing Member has breached the Rules and shall determine what sanction or sanctions are to be imposed on the Clearing Member or Representative. Upon having determined in its absolute discretion whether a breach of the Rules has occurred, the Summary Disciplinary Committee shall communicate its findings and particulars of any sanction to the Clearing Member and the Clearing House. For the avoidance of doubt, the Summary Disciplinary Committee will notify the Clearing Member of: (i) any act or practice which the Clearing Member has been found to have carried out or omitted; (ii) a citation of the relevant provisions which are considered to have been breached; and (iii) the proposed sanction to be imposed and the reasons therefor. The Summary Disciplinary Committee ~~shall enjoy~~has the same full range of powers of sanction which are open to a Disciplinary Panel and may impose a combination of any such sanctions as it sees fit, provided that the sanctions are limited to those set out in the Notice and any additional sanctions arising out of the conduct of the proceedings.
- (j) A determination or sanction imposed by the Summary Disciplinary Committee may be appealed under Rule 1005 to an ~~Appeals~~Appeal Panel and shall not be referred to a Disciplinary Panel.

Rule 1005 Appeals

(a)

(i) Within 14 days of receiving notice in writing of a decision of a Disciplinary Panel, a determination in writing of a Summary Disciplinary Committee or a notice of sanction [following the procedure referred to in Rule 1003\(g\)](#) (whichever is the later), or such longer period as the chairman of the Disciplinary Panel or the Summary Disciplinary Committee may in his discretion direct [at the conclusion of the disciplinary proceedings](#), a Clearing Member (whether current or former in the case of expulsion) or the Clearing House, or both, may appeal to an ~~Appeals~~ [Appeal](#) Panel 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.

(ii) 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 [only](#) grounds of the appeal may be any one or more of the following:

- (A) the Disciplinary Panel or Summary Disciplinary Committee misdirected itself; or
- (B) the Disciplinary Panel's or Summary Disciplinary Committee's decision was:
 - (1) one which no reasonable tribunal could have reached; or
 - (2) unsupported by the evidence or was against the weight of the evidence; or
 - (3) in the case of the Disciplinary Panel only, based on an error of law, or a misinterpretation of the Rules; or
- (C) the sanction imposed by the Disciplinary Panel, Clearing House or Summary Disciplinary Committee was excessive or, in the case of an appeal by the Clearing House, was insufficient or inappropriate; or
- (D) new evidence is available and that, had it been made available, the Disciplinary Panel, Clearing House or Summary Disciplinary Committee could reasonably have come to a different decision. This will not apply, in the case of the Disciplinary Panel only, if the evidence could have been adduced before the Disciplinary Panel by the exercise of reasonable diligence;

but no party may otherwise appeal [on any other grounds](#).

(iii) In the case of appeal against a sanction, the ~~Appeals~~ [Appeal](#) Panel may affirm, vary or revoke the sanction. The ~~Appeals~~ [Appeal](#) Panel may make such order or

give such direction as it considers fit, including, in the case of an appeal from the Disciplinary Panel, a direction for a rehearing of the case by another newly constituted Disciplinary Panel.

- (b) Upon receipt of such a notice of appeal, the Clearing House shall appoint an ~~Appeals~~Appeal Panel.
- (c) The Clearing House shall have 14 working days or such other period as the ~~Chairman~~chairman of the Disciplinary Panel or the Summary Disciplinary Committee, as the case may be (or the ~~Appeals~~Appeal Panel in its exclusive discretion should it be constituted at such time), may allow from the service of the notice of appeal to serve notice of any grounds on which it objects to such appeal.
- (d) ~~An Appeals~~The Appeal Panel shall consist of a ~~chairman~~lawyer sitting alone who shall be either a solicitor admitted in England and Wales or a member of the Bar of England and Wales in either case who has been in practice for over ten years and who shall be appointed at the discretion of the Clearing House. No members of any disciplinary panel, serving members of the Clearing House's committees dealing with any disciplinary or summary disciplinary proceedings, employees of the Clearing House or Clearing Member subject to disciplinary proceedings or any of their Affiliated Persons, Representatives or Customers shall be appointed to an ~~Appeals~~Appeal Panel. Expert assessors may be appointed, at the discretion of the ~~Chairman~~chairman of the ~~Appeals~~Appeal Panel, to sit with and advise the ~~Appeals~~Appeal Panel but not to vote. No Person shall serve on or sit with an Appeals Panel or act as an expert assessor if he has a personal or financial interest in or has been involved in any investigation into or previous disciplinary panel or Summary Disciplinary Committee hearing (including that which is the subject of the appeal itself) on the matter under consideration.
- (e) ~~An Appeals~~The Appeal Panel may adopt such procedure as it thinks fit and just, including, without limitation, all or any of the procedures described in Rule 1003(~~ml~~) and shall be bound by Rule 1003(~~nm~~) and (~~on~~). ~~An Appeals~~The Appeal Panel shall ~~further enjoy~~have all the powers which are vested in ~~disciplinary panels~~Disciplinary Panels, whether procedural or otherwise. The appellant and the respondent may appear, make representations and (subject to any restriction on adducing new evidence), call witnesses, who may be examined and cross-examined.
- (f) The decision of an ~~Appeals~~Appeal Panel shall be final and binding and there shall be no further appeal. The decision with reasons shall be notified to the appellant and respondent in writing without undue delay.

Rule 1006 Interaction with Market Rules and other processes under Procedures

- (a) The existence of any disciplinary or other dispute resolution processes under any relevant Market Rules shall not preclude any process under this Part 10.
- (b) Where there are disciplinary processes of any Market under the relevant rules of any Market and disciplinary processes under this Part 10, and both the panel appointed under this Part 10 and any panel appointed under the relevant rules of any Market (who are

composed of the same panel members) consider that the disciplinary processes involve at least one common Member of that Market or Clearing Member and substantially the same subject matter, the disciplinary processes under this Part 10 may be consolidated with the disciplinary processes under that Market's rules. In such circumstances, the same procedures, documents, notices, evidence and panel members may be used in both sets of disciplinary processes, as directed by the panel.

- (c) Disciplinary and other processes under this Part 10 shall not preclude the operation, competence or activities of any other committee, panel, court, expert or tribunal that is given powers or competences pursuant to this Part 10.

Rule 1007 ~~**Rule 1006**~~ *Sponsored Principals*

- (a) This Part 10 applies to Sponsored Principals in the same way as it applies to Clearing Members with no Customers.

- (ii) in managing an Event of Default or an event which could be declared by the Clearing House as an Event of Default, including:
 - (A) where necessary, to meet the Clearing House's costs involved in facilitating the transfer of Contracts recorded in a Clearing Member's Customer Position Account, if that Clearing Member is experiencing financial difficulty or during a termination of membership to another Clearing Member;
 - (B) provisionally, in respect of any actual or potential shortfall, loss, obligation or liability if the Clearing House at its discretion determines that Guaranty Fund Contributions are likely to be applied pursuant to Rule 908 or Rule 1103(a)(i), provided that to the extent that any Guaranty Fund Contributions are not applied pursuant to Rule 908 or Rule 1103(a)(i) within a reasonable period of time, the Clearing House shall account to the relevant Clearing Member for the difference between the amount by which any Guaranty Fund Contributions were actually applied and the amount by which the same were provisionally applied under this Rule 1103(a)(ii)(B); or
- (iii) for making payments, including for liquidity or to raise liquidity for liabilities to make payments in respect of obligations incurred by the Clearing House in its capacity as a clearing house and central counterparty,

provided that: (1) F&O Guaranty Fund Contributions may only be used to meet actual or prospective liabilities or obligations relating to F&O Clearing, CDS Guaranty Fund Contributions may only be used to meet actual or prospective liabilities or obligations relating to CDS Clearing and FX Guaranty Fund Contributions may only be used to meet actual or prospective liabilities or obligations relating to FX Clearing; (2) nothing in this Rule 1103(a) shall affect the order of application of assets following a declared Event of Default pursuant to Rule 908; (3) any Guaranty Fund Contributions used or applied under this Rule 1103(a) (but not actually applied under Rule 908) shall be returned or reallocated by the Clearing House to the relevant Guaranty Fund; and (4) following an Event of Default declared by the Clearing House, Guaranty Fund Contributions may only be used or applied under this Rule 1103(a) after available resources of the Defaulter have been exhausted.

- (b) The Clearing House may at any time and from time to time sell, substitute, set off, transfer, assign, mortgage, pledge, repledge or otherwise create or grant a lien, interest, charge or other security interest on or use as collateral by way of title transfer arrangement, any proceeds of Guaranty Fund Contributions for any of the purposes set out in Rule 1103(a). Any borrowings using proceeds of Guaranty Fund Contributions as collateral shall be on terms and conditions deemed necessary or advisable by the Clearing House in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Clearing Member to the Clearing House for which such cash, securities or other property was ~~pledged to or deposited with~~ transferred to the Clearing House. Any amounts so borrowed shall be used and

sum of money from an account of the Clearing House at such System Bank to an account of the Clearing House at the same or a different System Bank (such Payment Transfer Order, a "**CH Account Payment Transfer Order**").

(b) Subject to regulation 20 of the Settlement Finality Regulations, a Securities Transfer Order shall arise and shall enter the Designated System immediately and automatically upon:

(i) if either:

(A) the Clearing House, the relevant Market (if any) and the two Clearing Members involved (both being Participants) have already agreed to a transfer, assignment or novation of Contracts from one Clearing Member to another Clearing Member pursuant to Rule 408(a)(i); ~~or~~

(B) a request is accepted by the relevant Market (if any) or the Clearing House in respect of an allocation from one Clearing Member to another Clearing Member for purposes of Rules 401(a)(viii) and 401(e); or

(C) ~~(B)~~ the Clearing House has declared an Event of Default under Rule 901 and any Contracts to which a Defaulter is party are proposed to be transferred from the Defaulter to another Clearing Member (being a Participant) pursuant to the Clearing House's powers under Rule 903, Rule 904, Rule 905 or otherwise,

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

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

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

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

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

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

(iv) in respect of CDS Trade Particulars or FX Trade Particulars submitted for Clearing in relation to a Bilateral CDS Transaction or FX transaction already recorded in Deriv/SERV or a Repository, as the case may be, the Clearing House

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

- (iii) in the case of a CH Account Payment Transfer Order, the affected System Bank or System Banks and the Clearing House;
- (iv) in the case of a Position Transfer Order:
 - (A) the Clearing Members (that are the transferor, assignor or person whose rights, liabilities and obligations are [transferred, assigned or novated](#) and the transferee, assignee or person that assumes rights, liabilities and obligations pursuant to a [transfer, assignment or novation](#));
 - (B) each Customer and Disclosed Principal Member affected by the Position Transfer Order which is an Indirect Participant (if any); and
 - (C) the Clearing House.
- (v) in the case of a Collateral Transfer Order:
 - (A) the Clearing Member that is the transferor of the Non-Cash Collateral in question;
 - (B) any SFD Custodian of the Clearing Member or the Clearing House; and
 - (C) the Clearing House;
- (vi) in the case of an F&O Block Clearing Order:
 - (A) each Clearing Member that has submitted or confirmed details of the F&O Transaction;
 - (B) any Affiliate [or Customer](#) of the Clearing Member that was party to an F&O Block Transaction and which is an Indirect Participant (if any); and
 - (C) the Clearing House;
- (vii) in the case of a Transaction Clearing Order:
 - (A) each Clearing Member that has submitted or confirmed details of the Transaction;
 - (B) any Affiliate of a Clearing Member that is or was party to a Bilateral CDS Transaction or FX transaction and which is an Indirect Participant (if any); and
 - (C) the Clearing House;
- (viii) in the case of a CDS Physical Settlement Order:
 - (A) each Clearing Member in the Matched Pair; and

- (d) A Transaction Clearing Order or F&O Block Clearing Order shall be satisfied immediately and automatically at the same time that the relevant resulting Contracts arise under Rule 401(a).
- (e) A CDS Physical Settlement Order shall be satisfied immediately and automatically at the time when the Clearing House updates its records of the relevant CDS Contracts in the ICE Systems to reflect that either physical delivery of the security in question has been completed or the delivery obligations of the parties under the relevant CDS Contracts have otherwise been discharged or settled.
- (f) A Security Derivative Delivery Order shall be satisfied immediately and automatically at the time when the Clearing House (or a Clearing Member to whom delivery is to be made directly from another Clearing Member under Part 7) receives the SFD Security that is the Deliverable, unencumbered in its account.
- (g) An Emission Allowance Delivery Order shall be satisfied immediately and automatically at the time when the Clearing House or Clearing Member that is to receive delivery of the Emission Allowance receives the Emission Allowance that is the Deliverable, unencumbered in its account at the relevant Emissions Registry.
- (h) If a Credit/Debit Payment Transfer Order or ISOC Credit/Debit Payment Transfer Order becomes irrevocable in respect of the same obligation to which a New Contract Payment Transfer Order relates, the New Contract Payment Transfer Order shall automatically be satisfied and shall not become irrevocable. It is acknowledged that New Contract Payment Transfer Orders will generally terminate in accordance with this Rule 1205(h) when standard Clearing and payment processes apply.
- (i) A New Contract Payment Transfer Order relating to an F&O Contract shall be satisfied immediately and automatically if and at the point that the relevant F&O Transaction or Contract is transferred or allocated to another Clearing Member pursuant to Rule 401(a)(viii) or Rule 408(a)(ii) or has become subject to a Position Transfer Order that has itself become satisfied under Rule 1205(b).

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

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

Part 15 Credit Default Swaps

Part 15 of the Rules does not apply to F&O Contracts or FX Contracts. References to Contracts in this section are to CDS Contracts. References to any Account in this section are references only to an Account in which CDS Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly. References to Customers in this section are solely to Customers of CDS Clearing Members in relation to CDS Contracts. In this Part 15, all references to time are references to Greenwich Mean Time (GMT) (without taking into account British Summer Time (BST)).

Rule 1501 Definitions

- (a) The term "**2010 PD Amending Directive**" means Directive 2010/73/EU, and includes any national implementing measures in any member state.
- (b) The term "**Applicable Close-out Rate**" means:
 - (i) in respect of obligations which would have been payable but for paragraph 8.2(a)(i)(B) or (C) of the CDS Procedures, as the case may be, by a Defaulting Party, the Late Payment Rate; and
 - (ii) in respect of obligations which would have been payable but for paragraphs 8.2(a)(i)(B) or (C) of the CDS Procedures, as the case may be, by a Non-defaulting Party, the Non-default Rate.
- (c) The term "**Applicable Credit Event**", in relation to a CDS Contract, means any of the Credit Events specified in that CDS Contract as being applicable.
- (d) The term "**Asset Package Delivery Notice**" means the notification required to be given by a protection buyer to a protection seller pursuant to section 8.2 of the 2014 Credit Derivatives Definitions of the detailed description of the Asset Package, if any, that it intends to Deliver to the protection seller in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable.
- (e) The term "**CADP**" or "**CDS Alternative Delivery or Settlement Procedure**" has the meaning set out in Rule 1514.
- (f) The term "**CADP Notice**" means a notice delivered to the Clearing House and issued jointly by a Matched CDS Buyer and Matched CDS Seller concerning CADP in respect of a Matched Pair and related Matched CDS Contracts, in the form specified in the CDS Procedures.
- (g) The term "**CDS Buyer**" means a CDS Clearing Member (or, in respect of an Individually Segregated Sponsored Account, the Sponsored Principal or, in the circumstances set out

in the definition of "Matched Pair", the Clearing House) that is party to a CDS Contract as protection buyer.

- (h) The term "CDS Price Alignment Amount" has the meaning given to that term in the CDS Procedures.
- (i) ~~(h)~~ The term "**CDS Seller**" means a CDS Clearing Member (or, in respect of an Individually Segregated Sponsored Account, the Sponsored Principal or, in the circumstances set out in the definition of "Matched Pair", the Clearing House) that is party to a CDS Contract as protection seller.
- (j) ~~(i)~~ The term "**Component Transaction**", in relation to any CDS Contract, has the meaning given to that term in the relevant Contract Terms.
- (k) ~~(j)~~ The term "**Deemed Discharge**" has the meaning set out in Rule 1519.
- (l) ~~(k)~~ The term "**Defaulter Close-Out**" has the meaning set out in Rule 1519.
- (m) ~~(l)~~ The term "**Defaulting Party**" means with respect to (i) a Defaulter Close-Out, the relevant CDS Clearing Member or Sponsored Principal and (ii) a Deemed Discharge, the Clearing House.
- (n) ~~(m)~~ The term "**Deferral Rate**" means a rate certified by the relevant payer to be a rate offered to the payer by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the payer for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in the relevant market.
- (o) ~~(n)~~ The term "**Determining Body**" means the Credit Derivatives Determinations Committee or any other relevant body or person that is expressed to have jurisdiction to make the relevant determination under the Applicable Credit Derivatives Definitions or the CDS Procedures. Neither the Credit Derivatives Determinations Committee (or any such other body or Person) nor a secretary of the Credit Derivatives Determinations Committee (or any such other body or Person) is a Representative or committee of the Clearing House.
- (p) ~~(o)~~ The term "**Failed Amount**" has the meaning given to that term in Rule 1512.
- (q) ~~(p)~~ The term "**Late Payment Rate**" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount, plus 1% per annum.
- (r) ~~(q)~~ The term "**Matched CDS Buyer Contract**" means a CDS Contract (or part thereof) between a Matched CDS Buyer and the Clearing House which is the subject of a Matched Pair having a Floating Rate Payer Calculation Amount equal to the MP Amount relating to that Matched Pair.

- (s) ~~(+)~~ The term "**Matched CDS Contract**" means a Matched CDS Seller Contract or a Matched CDS Buyer Contract.
- (t) ~~(+)~~ The term "**Matched CDS Seller Contract**" means a CDS Contract (or part thereof) between a Matched CDS Seller and the Clearing House which is the subject of a Matched Pair having a Floating Rate Payer Calculation Amount equal to the MP Amount relating to that Matched Pair.
- (u) ~~(+)~~ The term "**Matched Pair**" means a CDS Buyer and CDS Seller matched by the Clearing House pursuant to Rule 1507 or Rule 1508, as applicable, where the CDS Buyer in such Matched Pair is the "**Matched CDS Buyer**" and the CDS Seller in such Matched Pair is the "**Matched CDS Seller**", provided that the Clearing House shall take the position of CDS Buyer or CDS Seller in any Matched Pair in order to create a Matched Pair for any CDS Seller or CDS Buyer which it is unable to match to another CDS Buyer or CDS Seller (other than the Clearing House), as the case may be.
- (v) ~~(+)~~ The term "**Matched Pair Notice**" has the meaning set out in Rule 1507(b) or Rule 1508(a), as the case may be.
- (w) ~~(+)~~ The term "**MP Amount**" means an amount equal to the portion of a Floating Rate Payer Calculation Amount in respect of which the Clearing House matches a Matched Pair for the purposes of Rule 1507(b) or Rule 1508(a), as applicable.
- (x) ~~(+)~~ The term "**MP Notice**" means a notice provided under Rule 1509(b) or Rule 1509(c) or an Electronic Notice.
- (y) ~~(+)~~ The term "**Non-default Rate**" means the rate certified by the Non-defaulting Party to be a rate offered to the Non-defaulting Party by a major bank in a relevant interbank market for overnight deposits in the applicable currency, such bank to be selected in good faith by the Non-defaulting Party for the purpose of obtaining a representative rate that will reasonably reflect conditions prevailing at the time in that relevant market.
- (z) ~~(+)~~ The term "**Non-defaulting Party**" means with respect to (i) a Defaulter Close-Out, the Clearing House and (ii) a Deemed Discharge, the Clearing Member or Sponsored Principal.
- (aa) ~~(z)~~ The term "**Offer to the Public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase or subscribe for those Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.
- (bb) ~~(aa)~~ The term "**PD Contract**" means a CDS that is a Security (if any) and which is:
- (i) a CDS Contract cleared or proposed to be cleared by the Clearing House;

- (ii) a Customer-CM CDS Transaction; or
- (iii) a CDS on terms identical or similar to a CDS Contract falling under Rule 1501(aa)(i).

(cc) ~~(bb)~~—The term "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question) and includes any European Commission regulations thereunder and relevant implementing measures in each Relevant Member State. Any reference to a particular article of the Prospectus Directive shall be deemed to also be a reference to the relevant provision of the relevant implementing measure in each Relevant Member State.

(dd) ~~(ee)~~—The term "**Relevant Member State**" means any member state of the European Economic Area which has implemented the Prospectus Directive.

(ee) ~~(dd)~~—The term "**Restructuring CDS Contract**" means a CDS Contract (or in respect of a CDS Contract relating to an index, a CDS Contract which is a Component Transaction) in respect of a Reference Entity in relation to which a Restructuring Credit Event Announcement has been made (and no DC Credit Event Announcement has been made in respect of any other Applicable Credit Event) in relation to that Reference Entity and where relevant, the requirement for Publicly Available Information has been satisfied as determined by the Determining Body provided that if, after such Restructuring Credit Event Announcement has been made, a further DC Credit Event Announcement is made of the occurrence of an Applicable Credit Event other than a Relevant Restructuring Credit Event in relation to that Reference Entity, such CDS Contract, to the extent that it has not become a Triggered Restructuring CDS Contract Portion, will cease to be a Restructuring CDS Contract and provided further that any Restructuring CDS Contract, to the extent that it is not a Triggered Restructuring CDS Contract Portion, in respect of which an effective Restructuring Credit Event Notice can no longer be delivered (including, at the times and in the circumstances specified in the CDS Procedures, copied to the Clearing House) will cease to be a Restructuring CDS Contract and will thereafter be a CDS Contract subject to the provisions of these Rules.

(ff) ~~(ee)~~—The term "**Restructuring Credit Event Announcement**" means a DC Credit Event Announcement of the occurrence of a Relevant Restructuring Credit Event.

(gg) ~~(ff)~~—The term "**Restructuring Credit Event Notice**" means a Credit Event Notice in respect of a Relevant Restructuring Credit Event, relating to all or, where permitted under Section 3.9 of the 2003 Credit Derivatives Definitions or Section 1.33 of the 2014 Credit Derivatives Definitions, as applicable, part of the Floating Rate Payer Calculation Amount of a Restructuring CDS Contract to be delivered in accordance with the Contract Terms by a Matched CDS Buyer or Matched CDS Seller (as applicable) to the Matched CDS Buyer or Matched CDS Seller (as applicable) in the Matched Pair and copied to the Clearing House where required in accordance with Rule 1509(d).

(hh) ~~(gg)~~ The term "**Restructuring Reference Entity**" means the Reference Entity in respect of which a DC Credit Event Announcement has been made in respect of a Relevant Restructuring Credit Event.

(ii) ~~(hh)~~ The term "**Securities**" means 'securities' within the meaning of article 2(1)(a) of the Prospectus Directive as the same may be varied in any Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; and the term "**Security**" shall be construed accordingly.

(jj) ~~(ii)~~ The term "**Settlement Notice**" means any notice under a CDS Contract that is not an MP Notice which is delivered pursuant to the Settlement and Notices Terms.

(kk) ~~(jj)~~ The term "**Triggered Restructuring CDS Contract Portion**" means a Restructuring CDS Contract in respect of which a Restructuring Credit Event Notice has been delivered in accordance with the Contract Terms, these Rules and the CDS Procedures, provided that, where permitted under Section 3.9 of the 2003 Credit Derivatives Definitions or Section 1.33 of the 2014 Credit Derivatives Definitions, as applicable, if such Restructuring Credit Event Notice specifies an Exercise Amount that is less than the Floating Rate Payer Calculation Amount of the Restructuring CDS Contract, such Restructuring CDS Contract shall be construed, pursuant to Section 3.9 of the 2003 Credit Derivatives Definitions or Section 1.33 of the 2014 Credit Derivatives Definitions, as applicable, as if the parties had entered into two Restructuring CDS Contracts, one of which will constitute the Triggered Restructuring CDS Contract Portion and has a Floating Rate Payer Calculation Amount equal to the Exercise Amount and the other of which has a Floating Rate Payer Calculation Amount equal to the Floating Rate Payer Calculation Amount outstanding immediately prior to the delivery of the Restructuring Credit Event Notice minus the Exercise Amount.

(ll) ~~(kk)~~ The term "**Tripartite Representation**" means the record relating to a CDS Contract in Deriv/SERV. In relation to each CDS Contract recorded in Deriv/SERV, it is acknowledged that Deriv/SERV will create a record as follows:

- (i) Where the CDS Contract is recorded in a Customer Account (other than an Individually Segregated Sponsored Account):
 - (A) The record will identify three entities, namely the Clearing House, the CDS Clearing Member and the relevant Customer and will identify whether the Customer is a protection buyer or a protection seller.
 - (B) Where the CDS Clearing Member is an FCM/BD Clearing Member, unless the CDS Contract is recorded in an Individually Segregated Sponsored Account, such record will represent a CDS Contract between the Clearing House and such FCM/BD Clearing Member acting on behalf of or for the account of such Customer and such FCM/BD Clearing Member will be a CDS Buyer if such record identifies such Customer as a protection buyer and a CDS Seller if such record identifies such Customer as a protection seller.

- (C) Such record will represent two contracts:
- (1) a CDS Contract between the Clearing House and the Sponsored Principal, for which the Sponsor is jointly and severally liable as set forth in Part 19; and
 - (2) a Customer-CM CDS Transaction between the Sponsor and Sponsored Principal on the terms set forth in Part 19,

and where such record identifies such Sponsored Principal as a protection buyer, the Sponsor will also be a CDS Buyer in respect of its obligations under the CDS Contract and a protection seller in respect of its obligations under the Customer-CM CDS Transaction; and where such record identifies the Sponsored Principal as a protection seller, such Sponsor will be a CDS Seller in respect of its obligations under the CDS Contract and a protection buyer in respect of its obligations under the Customer-CM CDS Transaction. Where, in these Rules or the CDS Procedures, a Customer-CM CDS Transaction is described as "related" or "connected" in the context of a CDS Contract, or a CDS Contract is described as "related" or "connected" in the context of a Customer-CM CDS Transaction, that is a reference to the CDS Contract and the Customer-CM CDS Transaction which are related or connected by virtue of being recorded in a single Tripartite Representation.

- (iv) Where the CDS Contract is recorded in an Individually Segregated Sponsored Account and the Sponsor is an FCM/BD Clearing Member, the record will have two entries and identify only the Clearing House and the Sponsored Principal (in the latter case, in the same way as the CDS Clearing Member would be identified as set out under Rule 1501(kk)(ii)), identifying whether the Sponsored Principal is a protection buyer (in which case the Sponsored Principal will be a CDS Buyer in respect of the CDS Contract) or a protection seller (in which case the Sponsored Principal will be a CDS Seller in respect of the CDS Contract).

(mm) ~~(H)~~ The term "**Unpaid Amounts**" owing to a party pursuant to a CDS Contract means:

- (i) with respect to the CDS Clearing Member or Sponsored Principal, the amounts that would have become payable but for paragraph 8.2(a)(i)(B) of the CDS Procedures to the Clearing Member or Sponsored Principal under paragraph 8.2(a)(i)(A) of the CDS Procedures on or prior to the date of the Defaulter Close-Out or Deemed Discharge, as the case may be, and which remain unpaid at the date of the Defaulter Close-Out or Deemed Discharge, as the case may be; and
- (ii) with respect to the Clearing House, the amounts that would have become payable but for paragraph 8.2(a)(i)(C) of the CDS Procedures to the Clearing House under paragraph 8.2(a)(i)(A) of the CDS Procedures on or prior to the date of the Defaulter Close-Out or Deemed Discharge, as the case may be, and which remain

unpaid at the date of the Defaulter Close-Out or Deemed Discharge, as the case may be.

(nn) ~~(mm)~~ The terms "Auction Settlement", "Auction Final Price Determination Date", "Cash Settlement Amount", "Credit Derivatives Determinations Committee", "Credit Event", "Credit Event Notice", "DC Credit Event Announcement", "DC Secretary", "Deliverable Obligation", "Deliver", "Delivery", "Exercise Amount", "Fallback Settlement Method", "Floating Rate Payer Calculation Amount", "Indicative Quotation", "Latest Permissible Physical Settlement Date", "NOPS Amendment Notice", "Notice of Physical Settlement", "Notice to Exercise Movement Option", "Obligation", "Physical Settlement Amount", "Publicly Available Information", "Reference Entity", "Restructuring", "Settlement Method" and "Undeliverable Obligations" each have the meaning given to those terms in the Applicable Credit Derivatives Definitions.

(oo) ~~(nn)~~ The terms "Asset Package Delivery", "Asset Package" and "Prior Deliverable Obligation", each have the meaning given to those terms in the 2014 Credit Derivatives Definitions.

(pp) ~~(oo)~~ The terms "CDS Default Committee", "Electronic Notice", "Electronic Notice Process", "Manual Notice Process", "Manual MP Notice", "NEMO Triggering Period" and "Relevant Restructuring Credit Event" each have the meaning given to those terms in the CDS Procedures.

(qq) ~~(pp)~~ Any term used but not defined in this Part 15 or elsewhere in the Rules shall have the meaning given to that term in the CDS Procedures.

Rule 1502 *Terms of CDS Contracts and Initial Payments*

- (a) The terms of each CDS Contract shall be as follows:
- (i) such quantity, notional and other economic terms (as determined pursuant to the CDS Procedures) as were submitted to the Clearing House in respect of the CDS Trade Particulars that gave rise to the CDS Contract, subject, in the case of a Restructuring CDS Contract, to such changes to such terms as result from the operation of these Rules and the CDS Procedures, subject to the provisions of Rule 401(a)(vi), (ix), (x) or (xi), as applicable;
 - (ii) the applicable terms set out in the Rules (including, without limitation, the CDS Procedures, the Settlement and Notices Terms and those provisions of the Contract Terms Procedures as are specified in the CDS Procedures);
 - (iii) the Applicable Credit Derivatives Definitions, as amended pursuant to these Rules (including, without limitation, pursuant to the CDS Procedures); and
 - (iv) the Settlement and Notices Terms.

Segregated TTFCFA Customers that are Affiliates of the CDS Clearing Member which is an FCM/BD Clearing Member.

- (b) It is acknowledged by the Clearing House that presently, in respect of the Clearing of CDS Contracts, neither Customers nor clients of Customers are capable of being provided with any of the access referred to in Rule 102(j) (except in connection with Individually Segregated Sponsored Accounts) and that, accordingly in such circumstances:
- (i) Rule 102(j) does not apply in respect of the Clearing of CDS Contracts unless:
 - (A) a Customer or its client is duly appointed as a Clearing Member's agent; or
 - (B) in respect of an Individually Segregated Sponsored Account where the Sponsor will act as the Sponsored Principal's Representative in any instance in which it exercises any right or is subject to any obligation or liability in respect of the Individually Segregated Sponsored Account, regardless of whether such right, obligation or liability arises under these Rules or pursuant to an agreement between the Sponsor and Sponsored Principal; and
 - (ii) neither a Customer nor client of a Customer of a CDS Clearing Member acting in such capacity is a Representative of that CDS Clearing Member in respect of the Clearing of CDS Contracts solely as a result of it being a Customer or client of such a Customer.
- This Rule 1516(b) does not affect the validity or effects of any notice delivered in Deriv/SERV by a Customer which results in a notice being delivered between a CDS Clearing Member and the Clearing House. If the Customer would have breached the Rules in connection with any conduct relating to any notice relating to a CDS Contract or Customer-CM CDS Transactions in Deriv/SERV if it were a Clearing Member, then its Clearing Member may be subject to disciplinary proceedings where sanctions are limited to those in Rule 1003(†) in respect of conduct relating to such notices.
- (c) The Settlement and Notices Terms published by the Clearing House will apply to all CDS Clearing Members and their Customers, save to the extent that the relevant Clearing Member and Customer agree to vary such terms.

Rule 1517 [Not used]

Rule 1518 *CDS Committees and Dispute Panels*

Rule 117 and Part 10 (and equivalent provisions of any Clearing Membership Agreement, Sponsored Principal Clearing Agreement and Sponsor Agreement) are hereby disappplied only to the extent that any matter is eligible for determination by a CDS Default Committee in accordance with the CDS Procedures or the Credit Derivatives Determinations Committee in accordance with the Contract Terms. This Rule applies in respect of a Person mentioned in the foregoing sentence unless and until any such Person resolves not to determine the matter concerned.

amount, for the period from (and including) the date the amount would, but for paragraph 8.2(a)(i)(C) of the CDS Procedures, have been payable to (but excluding) the date the amount actually becomes payable, at the Deferral Rate.

- (b) Upon the occurrence of:
- (i) a Defaulter Close-Out with respect to a CDS Clearing Member or Sponsored Principal, interest will accrue and be payable on any Unpaid Amount under a CDS Contract with such CDS Clearing Member or Sponsored Principal for the period from (and including) the date the relevant obligation would, but for paragraph 8.2(a)(i)(B) or (C) of the CDS Procedures, as the case may be, have been required to be performed to (but excluding) the date of the Defaulter Close-Out, at the Applicable Close-out Rate; and
 - (ii) a Deemed Discharge with respect to a CDS Clearing Member or Sponsored Principal, interest will accrue and be payable on any Unpaid Amount under a CDS Contract with such CDS Clearing Member or Sponsored Principal for the period from (and including) the date the relevant obligation would, but for paragraph 8.2(a)(i)(B) or paragraph 8.2(a)(i)(C) of the CDS Procedures, as the case may be, have been required to be performed to (but excluding) the date of the Deemed Discharge, at the Applicable Close-out Rate.
- (c) Any interest pursuant to this Rule 1519 will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (d) No interest or income shall accrue for the benefit of any CDS Clearing Member or Sponsored Principal:
- (i) on any Permitted Cover provided to the Clearing House; or
 - (ii) on any other obligation of the Clearing House whether pursuant to the Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement, any Pledged Collateral Addendum or any other provision of the Rules or the Procedures for such time and in respect of any such amounts on which any interest accrues pursuant to this Rule 1519.
- (e) In relation to each CDS Contract, the CDS Clearing Member or Sponsored Principal party thereto will pay to the Clearing House or the Clearing House will pay to such CDS Clearing Member or Sponsored Principal the CDS Price Alignment Amount on each Business Day in accordance with the CDS Procedures.

Rule 1520 *Unpaid Amounts*

On the occurrence of a Defaulter Close-Out or a Deemed Discharge, Unpaid Amounts under a CDS Contract with a CDS Clearing Member or Sponsored Principal subject to the Defaulter Close-Out or affected by the Deemed Discharge, as the case may be, together with any amount of

Part 16 FCM/BD Clearing Member Provisions

Rule 1601 *Scope*

This Part 16 of the Rules shall apply solely to FCM/BD Clearing Members. Except as provided in this Part 16 or to the extent inconsistent with this Part 16, all other provisions of the Rules applicable to Clearing Members shall apply to FCM/BD Clearing Members, and FCM/BD Clearing Members shall constitute Clearing Members for all purposes of the Rules.

Rule 1602 *Definitions*

- (a) The term "**Clearing House DCM Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to DCM Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or the Permitted Cover in respect thereof) or proceeds thereof ~~deposited~~transferred by such FCM/BD Clearing Member on behalf of its DCM Customers in connection with Contracts that are U.S. Futures. The Clearing House DCM Segregated Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (b) The term "**Clearing House Non-DCM/Swap Account**" means an omnibus account maintained by the Clearing House with respect to Non-DCM/Swap Customers of an FCM/BD Clearing Member, which is maintained in accordance with Applicable Law and contains Margin (or Permitted Cover in respect thereof) or the proceeds thereof ~~deposited~~transferred by such FCM/BD Clearing Member on behalf of its Non-DCM/Swap Customers in connection with Non-DCM/ Swaps. The Clearing House Non-DCM/Swap Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (c) The term "**Clearing House Swap Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to Swap Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or Permitted Cover in respect thereof) or proceeds thereof ~~deposited~~transferred by such FCM/BD Clearing Member on behalf of its Swap Customers in connection with Contracts that are Swaps. The Clearing House Swap Segregated Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (d) The term "**Clearing House SBS Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to SBS Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or the Permitted Cover in respect thereof) or proceeds thereof ~~deposited~~transferred by such FCM/BD Clearing Member on behalf of its SBS Customers in connection with Contracts that are SBS. The Clearing House SBS

Amount that is a negative number, Permitted Cover in an amount as close as reasonably practicable to (but not to exceed) the absolute value of such Customer Swap Portfolio Initial Margin Call/Return Amount, such amount to be transferred otherwise using the same procedures as are applicable for transfers of Margin to the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures; and

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

(ii) The Clearing House shall calculate and collect Mark-to-Market Margin requirements for a Swap Customer Account of an FCM/BD Clearing Member on a net basis across all Customer Swap Portfolios in the same Swap Customer Account (but separately from any other amount due on the Swap Customer Account), such amount to be transferred otherwise using the same procedures as are applicable for transfers of Margin to or from the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures.

(iii) Notwithstanding anything to the contrary in the Rules, amounts required to be transferred between an FCM/BD Clearing Member and the Clearing House in respect of Margin pursuant to any of Rules 1605(h)(i)(A)-(B) and/or (ii) above shall not be netted or offset, except to the extent such netting or offset may be permitted by Applicable Law (including CFTC regulation or interpretation thereof).

(i) The Clearing House will not accept ~~the deposit~~transfers of FCM/BD Swap Customer Collateral from an FCM/BD Clearing Member in respect of Contracts or Open Contract Positions recorded in a Swap Customer Account in excess of the amount required by the Clearing House, within the meaning of CFTC Rule 22.13(c). For the avoidance of doubt, any FCM/BD Swap Customer Collateral of an FCM/BD Clearing Member ~~deposited~~with transferred to the Clearing House that subsequently exceeds the amount required by the Clearing House as a result of a change in the amount required or change in the market value of such FCM/BD Swap Customer Collateral will become available for withdrawal in accordance with Rules 302, 503 and 1605(h).

(j) Notwithstanding anything to the contrary in the Rules, if the Clearing House determines to call for Margin pursuant to Rule 1605(h) in respect of one or more Customer Swap Portfolio Initial Margin Call/Return Amounts or Mark-to-Market Margin requirements for a Swap Customer Account of an FCM/BD Clearing Member on an intra-day basis, the Clearing House may in lieu thereof increase the applicable Margin requirement for one or more Proprietary Accounts of such FCM/BD Clearing Member.

Rule 1703 ~~*FX Mark-to-Market Interest*~~ *Price Alignment Amounts*

(a) In relation to each Financially-Settled FX Contract, the FX Clearing Member party thereto will pay to the Clearing House or the Clearing House will pay to such FX Clearing Member ~~an amount in respect of FX Mark-to-Market Interest~~ the FX Price Alignment Amount on each Business Day in accordance with the FX Procedures.

Rule 1704 *Separate treatment of FX Contracts for Proprietary Account and Customer Account*

Settlement for a Set of FX Contracts shall occur separately, and separate payment and record-keeping obligations shall accrue, in respect of a Clearing Member's:

- (a) net positions in the relevant Set in respect of each of its Proprietary Accounts;
- (b) Reference Currency Buyer positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (c) Reference Currency Seller positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (d) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).

Rule 1705 *Settlement of Financially-Settled FX Contracts*

- (a) Either:
 - (i) the Reference Currency Buyer shall be liable to pay the amount due under any Financially-Settled FX Contract to the Reference Currency Seller; or
 - (ii) the Reference Currency Seller shall be liable to pay the amount due under the Financially-Settled FX Contract to the Reference Currency Buyer,

as required under the Contract Terms, on the FX Settlement Date, in accordance with Parts 3 and 5 of the Rules and the Finance Procedures.

- (b) Upon payment by the relevant party of the amount due in respect of a Financially-Settled FX Contract on the FX Settlement Date as referred to in (a) above, neither party to such Financially-Settled FX Contract shall have any further liability or obligation to the other party under such Financially-Settled FX Contract.

Rule 1706 [Not used.]

Rule 1707 *FX Default Committee and FX Default Management Policy*

- (a) Rule 117 and Part 10 (and equivalent provisions of any Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement) are hereby disappplied only to the extent that any matter is eligible for determination by an FX

Novation, in which case it shall arise at the Novation Time in accordance with Rule 1803(b), subject to Rule 1806.

- (b) At the Novation Time, pursuant to and in the manner specified in the Deeds of Novation:
 - (i) the Clearing House (in place of LIFFE) and each LIFFE Clearing Member that has executed and delivered a Deed of Novation will become party to a replacement LIFFE Contract on the terms set out in these Rules in respect of each Open Contract to which that LIFFE Clearing Member is a party; and
 - (ii) the Clearing House (in place of LCH) and each LIFFE Clearing Member that has executed a Deed of Novation will become party to a replacement LIFFE Contract that is subject to delivery obligations on the terms set out in these Rules in respect of each Delivery Contract to which that LIFFE Clearing Member is a party.
- (c) The status of a Transaction or Contract as void *ab initio* under Rule 403 shall apply equally to any Novating Contract in respect of which incomplete or conflicting details are received by the Clearing House from LCH, LIFFE and/or the relevant LIFFE Clearing Member.

Rule 1804 *Margin*

- (a) Each LIFFE Clearing Member shall have satisfied applicable Original Margin obligations at, immediately prior to, and after the Novation Time in respect of Novating Contracts to which it is a party.
- (b) To the extent that any cash is received in cleared funds into an account at a Concentration Bank by the Clearing House from LCH in respect of a LIFFE Clearing Member (which extent, in respect of any LIFFE Clearing Member, is determined in accordance with the Cash Collateral Transfer Form), the LIFFE Clearing Member will be deemed to have ~~deposited~~transferred Permitted Cover in the form of cash ~~with~~to the Clearing House in accordance with the applicable Clearing Membership Agreement (regardless of the status of Transferring Cash prior to such time). To the extent that any securities equivalent to Transferring Securities are received by the Clearing House free from all Encumbrances from LCH in respect of a LIFFE Clearing Member, the LIFFE Clearing Member will be deemed to have transferred Permitted Cover in the form of securities fungible with the Transferring Securities with the Clearing House in accordance with the applicable Clearing Membership Agreement (regardless of the status of Transferring Securities prior to such time).
 - (i) Subject to Rule 1804(d), the following shall also amount to Permitted Cover:
 - (A) for Cash Transferring Members only: from the Novation Time until the Transitional Cash Collateral Deadline, the amount of Transferring Cash identified in Cash Collateral Transfer Forms to the extent that the same is not received by the Clearing House in cleared funds into its account at a Concentration Bank and LCH holds equivalent assets on trust for the benefit of the Clearing House in accordance with the Clearing Member Cash Instructions; and

Rules in relation to Delivery Contracts and performance in such circumstances by the LIFFE Clearing Member to LCH or by LCH to the LIFFE Clearing Member shall constitute good performance to or by the Clearing House respectively.

- (c) Subject to Rule 1805(d) below, any arbitration, dispute or alternative delivery procedure arising in connection with a Delivery Contract (other than in relation to any payment) shall be governed by and subject to the terms of the LCH Regulations and LIFFE Rules. The relevant provisions of the LCH Regulations and LIFFE Rules, as the LCH Regulations and LIFFE Rules apply to LCH and LIFFE respectively, will apply equally to the Clearing House solely for such purposes. All the provisions of the LCH Regulations and LIFFE Rules relating to deliveries (and definitions used therein, which shall prevail over any definitions in the Rules for the purposes of this Rule 1805 only) shall be deemed to be set out herein in full for the purposes of this Rule 1805 only.
- (d) The Clearing House shall have the same right as LIFFE and/or LCH to take such action against a LIFFE Clearing Member under the Rules in relation to obligations which are not fully performed or completed or which are only partially performed or completed at the Novation Time, regardless of whether any matter or event occurred or circumstance arose or relevant action or omission took place prior to the Novation Time.
- (e) Rule 1805(b) does not affect the applicability of the Rules or Procedures relating to original or variation margin, interim variation margin, contingent variation margin, settlement amounts, delivery value or any similar payments under a Delivery Contract (except for the payments set out in Rule 1805(b)), howsoever described arising in connection with Delivery Contracts. For the avoidance of doubt, all payments and transfers of or in respect of Margin or Guaranty Fund Contributions relating to Delivery Contracts must be made to the Clearing House in the normal way, in accordance with the Rules and Procedures.

Rule 1806 *Guaranty Fund Contributions*

- (a) Each LIFFE Clearing Member shall have ~~deposited~~transferred the required F&O Guaranty Fund Contributions (including any increase to previous F&O Guaranty Fund Contributions) ~~with~~to the Clearing House at least five Business Days prior to the scheduled Novation Time.

- (i) Sponsored Principal status does not entitle any Sponsored Principal to any shareholding or other similar interest in the Clearing House or any of the Clearing House's Affiliates.
- (j) Sponsored Principals shall be deemed to represent and warrant to the Clearing House, upon their first date of holding such status and on each subsequent date that they are a Sponsored Principal, that they meet all of the criteria set out in Rule 1901(b) and (d) and are in compliance with all of their obligations under these Rules.
- (k) Part 2 does not apply to Sponsored Principals except for Rule 202(a)(i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (x), (xi), (xiii), (xiv), (xv), (xvi) ~~and~~, (xix), (xxii) and (xxiii), Rule 203, Rule 204, Rule 206, Rule 207(a) to (d), 207(f), 208, 209 (a) to (c) and the first sentence of Rule 209(d), which apply to Sponsored Principals in the same way as they apply to Clearing Members *mutatis mutandis*, except that: (i) for purposes of Rule 202(a)(xi) and Rule 207(d), Sponsored Principals shall only be entitled to have a single Account at the Clearing House and are therefore required only to have a single Nominated Bank Account for each Eligible Currency; (ii) for purposes of Rule 202(a)(iv) and 202(a)(vi) the relevant standards are the criteria for Sponsored Principal status and the Capital or net asset requirements applicable to Sponsored Principals; and (iii) references to obligations with respect to Guaranty Fund Contributions and Assessment Contributions (as incorporated by reference in Rule 209) shall not apply. The Membership Procedures shall be construed accordingly.
- (l) A Clearing Member that has been authorised by the Clearing House to be a Sponsor may act in such capacity for any number of Sponsored Principals, subject to execution of a Sponsor Agreement and nomination of each such Sponsored Principal in accordance with the Sponsor Agreement and to meeting any additional Margin and Guaranty Fund Contribution requirements resulting from so acting. No Sponsored Principal may have more than one Individually Segregated Sponsored Account. An Individually Segregated Sponsored Account can only have one Sponsor at any given time.
- (m) The Sponsor must be a Clearing Member that is a credit institution or financial institution (as defined in the Money Laundering Directive) or otherwise be a person falling under article 17(2) of the Money Laundering Regulations 2007 (or the equivalent provision implementing the Money Laundering Directive in a member state other than the UK). In addition to the consent and reliance agreed to pursuant to Rule 202(a)(xii), the Sponsor consents to the Clearing House continually relying in respect of each open Individually Segregated Sponsored Account for which it acts as Sponsor upon the Sponsor's due diligence in relation to each of its Sponsored Principals and all "beneficial owners" (within the meaning of article 3(6) of the Money Laundering Directive) of such Sponsored Principals. The Sponsor will provide any supporting documentation relating to such due diligence to the Clearing House immediately on request and may be subject to audit requests by the Clearing House or requests for documentation from the Clearing House in respect of customer due diligence relating to Sponsored Principals, with which it must comply.
- (n) Each Sponsored Principal that is not incorporated or registered in England and Wales shall appoint and maintain an agent in England and Wales to act as its agent to accept

- (h) Unless the Clearing House agrees otherwise in respect of any particular Account, only a single Person may act as a Sponsored Principal in respect of an Individually Segregated Sponsored Account. A Sponsored Principal may only clear for its own account and may not carry out clearing for any Customer or Affiliate, but nothing in these Rules shall prevent a Sponsor and Sponsored Principal from being Affiliates of one another. Notwithstanding the foregoing, where the same fund manager or fund managers that are Affiliates act for multiple funds, all such funds may to the extent permitted under Applicable Laws have positions and Margin recorded in the same Individually Segregated Sponsored Account and use the same Nominated Bank Account at the choice of the fund manager. In addition, other multiple Persons (including groups of indirect clients of the same client of a Clearing Member) may to the extent permitted under Applicable Laws apply all to become Sponsored Principals in respect of the same Individually Segregated Sponsored Account in which positions and Margin relating to all such Persons are recorded and the same Nominated Bank Account is used. In any circumstances in which there is more than one Sponsored Principal in respect of the same Individually Segregated Sponsored Account:
- (i) Open Contract Positions will be held on a net basis in respect of each Sponsored Principal but gross basis as between Sponsored Principals, but only a single aggregated payment to the Clearing House and a single aggregated payment from the Clearing House will be made on the Individually Segregated Sponsored Account across all Sponsored Principals at each time when payments are instructed pursuant to Part 3; under the Standard Payments Mechanism; provided that if the Externalised Payments Mechanism is applicable in respect of one or more kinds of payment for the Individually Segregated Sponsored Account, then separate payments shall be made in relation to those kinds of payments to which the Externalised Payments Mechanism applies, in the same way as for any other Account;
 - (ii) the Individually Segregated Sponsored Account will be gross margined across Sponsored Principals;
 - (iii) only a single net sum will be declared on any Individually Segregated Sponsored Account and accordingly each Sponsored Principal consents to mutualised Sponsored Principal risk and to set off as between all relevant rights, assets and liabilities in the Individually Segregated Sponsored Account, regardless of the Sponsored Principal to which such rights, assets or liabilities relate; and
 - (iv) an Event of Default declared in respect of one Sponsored Principal using the Individually Segregated Sponsored Account is deemed to be, and may be declared by the Clearing House as, an Event of Default of any or all other Sponsored Principals interested in the Individually Segregated Sponsored Account.
- (i) For the avoidance of doubt, Individually Segregated Sponsored Accounts are available to indirect clients (as defined in EMIR) which are Sponsored Principals, provided that a Sponsor (that is a Clearing Member and not a client of a Clearing Member) agrees to act as such and nominates, pursuant to the Sponsor Agreement, such indirect client as a

to Part 19, where related cleared CDS Contracts are requested or are to be requested by the CDS Clearing Member or Customer to be recorded in a Position Account linked to an Individually Segregated Sponsored Account in which CDS Contracts are recorded. They further desire to agree to the operation of the Rules and the Procedures in relation to any Customer-CM CDS Transactions that may arise following the submission of the related CDS Trade Particulars, as further provided for in these CDS Standard Terms.

- (6) Clearing Member and Customer have established a Cleared Transactions Master Agreement and, if applicable, a related collateral arrangement, whether contained in the same or another agreement with respect to cleared transactions, including such Customer-CM CDS Transactions (which Cleared Transactions Master Agreement may be supplemented by a cleared derivatives addendum, or similar document, as agreed by Clearing Member and Customer and as amended and supplemented by these CDS Standard Terms).
- (7) These CDS Standard Terms shall apply equally to the Sponsored Principal as they apply to a Customer and to the Clearing Member as they apply to a Sponsor, subject to such amendments and modifications as are set out in the Rules (including Part 19 of the Rules) and Procedures, the Sponsored Principal Clearing Agreement, the Sponsor Agreement and section 13 hereof.

CDS STANDARD TERMS:

1. ***Defined Terms.*** Terms used but not otherwise defined in these CDS Standard Terms shall have the meaning set forth in the Rules or the Procedures, as applicable.
2. ***Exhibit to Rules.*** These CDS Standard Terms are published by the Clearing House as an Exhibit to the Rules but do not form part of the Rules. Clearing Member and Customer agree that any amendments, modifications, restatements or supplements in respect of such Exhibit to the Rules (including the withdrawal of any part of these CDS Standard Terms) may be effective if made by the Clearing House pursuant to the provisions of Rule 109 as if the Exhibit were Rules and as if Rule 109 applied to Customers in addition to, and in the same way as it applies to, Clearing Members. At the request of Clearing Member or the Clearing House, Customer will enter into a written confirmation of the terms of any such amendment, modification, supplement or restatement. The Clearing House is a third party beneficiary of these CDS Standard Terms and may enforce these CDS Standard Terms. Accordingly, unless the Clearing House provides its prior written consent: (i) any attempted amendment to or disapplication of any provision of these CDS Standard Terms (or any amendment made hereto by the Clearing House) as between any Customer and Clearing Member shall be void and of no effect; and (ii) any agreement that any provision of any other document shall prevail over these CDS Standard Terms (or any amendment made hereto by the Clearing House) shall be void and of no effect.

3 *Cleared Transactions.*

- (a) Clearing Member may designate, by specifying that certain CDS Trade Particulars submitted to the Clearing House are to be recorded in a Customer Position Account, that certain transactions between Clearing Member and Customer shall arise at the same time as related CDS Contracts and shall constitute Customer-CM CDS Transactions.
- (b) Clearing Member and Customer agree that a Customer-CM CDS Transaction shall arise automatically and without further action on the part of Clearing Member or Customer ~~at the Acceptance Times~~ as set out in Part 4 of the Rules in respect of the related CDS Contract.
- (c) The terms of any Customer-CM CDS Transaction shall, save as contemplated by these CDS Standard Terms, be identical to those of the related CDS Contract between Clearing Member and the Clearing House (as such CDS Contract may be amended from time to time in accordance with the Rules and/or CDS Procedures), except that:
- (i) if the Clearing Member is the protection seller under the CDS Contract it shall be the protection buyer under the Customer-CM CDS Transaction and vice versa;
 - (ii) Customer's recourse against Clearing Member shall be limited and Clearing Member's obligations to Customer shall be conditional as provided for in Section 8(c) below;
 - (iii) Customer-CM CDS Transactions shall also be subject to these CDS Standard Terms and the terms of the Customer-Clearing Member Agreement; and
 - (iv) except where the Settlement and Notices Terms or a Customer-Clearing Member Agreement provide for specific timings in respect of the performance of obligations:
 - (1) any obligation of the Clearing Member to the Customer shall not be required to be performed until a reasonable period has passed after the Clearing Member has received equivalent performance from the Clearing House; and
 - (2) any obligation of the Customer to the Clearing Member may be required by the Clearing Member to be performed a reasonable period in advance of the Clearing Member becoming obliged to the Clearing House in respect of an equivalent obligation.
- (d) If any Customer-CM CDS Transactions are governed by a Customer-Clearing Member Agreement which is not a separate agreement from any master agreement applicable to transactions between Clearing Member and Customer

Position(s), separately for each of its Customer Accounts. For this purpose, "gross basis" shall mean that the margin requirement will be determined giving effect to any offset permitted under the Rules of such Open Contract Positions against Open Contract Positions relating to the same Set and Customer in the same Customer Account, but without giving effect to any offset or permitted offset of such Open Contract Positions against Open Contract Positions relating to a different Customer.

- (b) Customer agrees that Clearing Member may use any margin provided by Customer under the Customer-Clearing Member Agreement ~~to satisfy in circumstances in which the Clearing Member's obligations to the Clearing House under Rule 504 and Rule 505 or Part 11. Customer shall not be entitled to assert any equitable or other claim to any such collateral and/or Permitted Cover that has been transferred to the Clearing House.~~ representations and warranties to and agreements with the Clearing House are entered into and made (as applicable) under the relevant Clearing Membership Agreement, Rule 504, Rule 505 and Part 11, without any breach by the Clearing Member of any such provision. On each occasion on which collateral is transferred by the Clearing Member to the Clearing House for credit to a Customer Account in which any Customer-CM CDS Transactions of the Customer is recorded, the Customer shall be deemed to give all the same representations, warranties and acknowledgments as are given by the Clearing Member pursuant to Rule 504(c)(iii), (iv) and (v) (save that the reference to 'Clearing Member' in Rule 504(c)(iv) will be treated as a reference to 'Customer' and the reference to 'any third party' in Rule 504(c)(v) will be treated as a reference to 'the Customer'), Rule 504(g) and Rule 505. Customer shall take any action reasonably requested by the Clearing House or the Clearing Member that may be necessary or desirable to create, preserve, perfect or validate the right, title or interests of the Clearing House in any Margin or Permitted Cover or to enable the Clearing House to exercise or enforce any of its rights under the Rules with respect to Margin or other Permitted Cover. Customer shall not create or give notice of any Encumbrance related to Permitted Cover that is held by the Clearing House in any Account. Customer shall not assert that: (i) it is the beneficiary of or interested party in any Encumbrance with respect to any Permitted Cover held by the Clearing House; (ii) it has given any notice of any such Encumbrance to the Clearing House; or (iii) the Clearing House otherwise should be attributed with notice in respect of any such Encumbrance. Nothing in this provision is intended to prevent any Encumbrance arising under Applicable Laws in favour of a Customer from subsisting in any receivable of a Clearing Member in respect of a Customer Account.

5. *Events of Default and Termination.*

- (a) In the event of the declaration by the Clearing House of an Event of Default (as defined in the Rules) with respect to Clearing Member (such an event being an "**ICE-Declared Default**"), whether or not any other default (howsoever defined or described) has also occurred under the Customer-Clearing Member Agreement or otherwise, Customer shall not be entitled to exercise any remedies with respect

to Customer-CM CDS Transactions pursuant to the Customer-Clearing Member Agreement or otherwise, except as provided herein (and any other remedies being exercised at the time of the declaration of such ICE-Declared Default shall cease and be superseded by the applicable provisions of these CDS Standard Terms).

- (b) If an ICE-Declared Default occurs at a time when Clearing Member has not already terminated the relevant Customer-CM CDS Transactions by reason of the occurrence of an event of default or termination event relating to Customer, Clearing Member may not take any action against Customer that may interfere with the Default Portability Rule resulting in Customer discharging its obligations to Clearing Member as provided for in Section 6(e) below. Save for such restriction, nothing in these CDS Standard Terms will limit Clearing Member's remedies under the Customer-Clearing Member Agreement in respect of Customer-CM CDS Transactions if an event of default or termination event (or similar concept) with respect to Customer occurs under the Customer-Clearing Member Agreement.

(c) Upon an ICE-Declared Default:

- (i) in accordance with Section 3, as a result of no further liabilities, obligations or rights of the Clearing Member falling due for performance or being capable of enforcement under any CDS Contracts or these Rules prior to calculation of the final net sum payable under the relevant Customer Account pursuant to Part 9 (except as is required to achieve settlement finality of irrevocable Transfer Orders pursuant to Part 12), it shall be a condition precedent to performance of any obligations on the part of the Customer (except as is required to achieve settlement finality of irrevocable Transfer Orders to which the Customer is bound pursuant to Part 12) under the Customer-CM CDS Transaction that either: (A) the related CDS Contract has been terminated; or (B) the date of payment of the relevant net sum as between the Customer and Clearing Member pursuant to the Cleared Transactions Master Agreement and Applicable Laws, following completion of any applicable close-out netting or Insolvency processes has occurred;
- (ii) any provision of a Cleared Transactions Master Agreement requiring termination of a Customer-CM CDS Transaction upon, prior to or following an ICE-Declared Default or giving a party the right to terminate (other than such a termination or right effective contemporaneous with termination of the related CDS Contract), shall be ineffective unless (A) one of the parties is incorporated in Switzerland or any other jurisdiction as may be specified by the Clearing House for such purposes; or (B) the Clearing House provides its written consent to such termination provision being effective, which consent may be given after declaration of the relevant ICE-Declared Default; and

- (iii) if a provision of the Cleared Transactions Master Agreement that provides for the termination of the Customer-CM CDS Transaction is not suspended or disappplied pursuant to Sections 5(a) or 5(c)(ii): (A) Section 3(h) shall nonetheless still apply to determine the termination price of any Customer-CM CDS Transaction; and (B) if a Customer-CM CDS Transaction is so terminated other than at a time contemplated by Section 5(c)(ii), Section 6 of these Standard Terms shall apply *mutatis mutandis* in relation to such terminated Customer-CM CDS Transaction and rights, obligations and liabilities relating thereto.

6. *Post-default Portability; Termination and Valuation of Cleared Transactions.*

- (a) Customer shall indicate to Clearing Member in such manner as the Clearing House may direct:
- (i) Customer's preference as to whether, in the event of an ICE-Declared Default, it would prefer the Clearing House to apply the Default Portability Rules and related processes to the Customer's Customer-CM CDS Transactions and related CDS Contracts; and
- (ii) its Default Portability Preference.

Any Default Portability Preference notified by Customer must apply to all Customer-CM CDS Transactions with Clearing Member. Any such Default Portability Preference by Customer may be amended by notice to Clearing Member (who will, in turn, notify the Clearing House in accordance with the Rules and the Procedures), at any time prior to the occurrence of an ICE-Declared Default in respect of Clearing Member or, at the discretion of the Clearing House, by notice directly to the Clearing House in accordance with the Rules and the Procedures, following the occurrence of such an ICE-Declared Default.

- (b) Unless it has notified the Clearing Member and Clearing House in writing to the contrary, Customer hereby consents and agrees that, in the event of an ICE-Declared Default, whether or not Customer has specified a Default Portability Preference, the Clearing House shall be entitled (but shall not be obliged) to apply the Default Portability Rules with respect to CDS Contracts to which Clearing Member and Customer's Customer-CM CDS Transactions relate, including by taking any of the following steps:
- (i) transferring, assigning, selling or novating Customer-CM CDS Transactions (and related CDS Contracts) to any Transferee Clearing Member;
- (ii) terminating Customer-CM CDS Transactions (and related CDS Contracts) and arranging for the entry into of new replacement Customer-CM CDS Transactions (and related CDS Contracts) with any Transferee Clearing Member (by way of novation or otherwise); and/or

12. *Miscellaneous.*

- (a) ***Entire Agreement.*** These CDS Standard Terms (together with the Customer-Clearing Member Agreement and the Rules and the Procedures incorporated by reference herein) constitutes the entire agreement and understanding of Customer and Clearing Member with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto.
- (b) ***Headings.*** The headings used in these CDS Standard Terms are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting these CDS Standard Terms.
- (c) ***Governing Law.*** Any contractual or non-contractual disputes arising out of or in connection with the Customer-Clearing Member Agreement are governed by and shall be construed in accordance with the law specified in the Customer-Clearing Member Agreement and subject to the non-exclusive jurisdiction of the courts specified in the Cleared Transactions Master Agreement provided that: (i) Sections 6(d) and 11 of these CDS Standard Terms shall be governed by and shall be construed in accordance with the laws of England and Wales and are subject to arbitration under Rule 117 as if such provisions of these CDS Standard Terms were Rules and the parties were bound thereby as if they were both Clearing Members, notwithstanding any choice of law or jurisdiction in the Cleared Transactions Master Agreement; and (ii) each provision of the Rules and the Procedures incorporated by reference herein or in the Customer-Clearing Member Agreement shall be governed by and construed in accordance with the laws of England and Wales, as set forth in the relevant governing law provision of such document (it being understood that no Pledged Collateral Matters are of relevance to Non-FCM/BD Clearing Members). Clearing Member and Customer hereby waive any right to object to any such proceedings on the basis of *forum non conveniens* or otherwise.
- (d) ***Intellectual Property.*** [Customer agrees to the representation, warranty and undertaking specified in Rule 406\(g\).](#)

13. *Modifications where Clearing Member is a Sponsor and Customer is a Sponsored Principal.*

- (a) This Section 13 shall apply only in respect of an Individually Segregated Sponsored Account, notwithstanding any other provisions of these CDS Standard Terms to the contrary.
- (b) The Sponsored Principal and Sponsor agree that, save in the circumstances contemplated by these CDS Standard Terms and as provided for in any Customer-Clearing Member Agreement or other agreement between Sponsored Principal and Sponsor, each Customer-CM CDS Transaction is intended to reflect exactly the obligations of the Clearing Member in respect of the related CDS Contract in the manner set forth in Part 19 of the Rules. Any reference to a CDS Contract or Customer-CM CDS Transaction or the relationship between a Sponsored Principal and Sponsor shall be construed in

to Part 19, where related cleared F&O Contracts are requested or are to be requested by the F&O Clearing Member or Customer to be recorded in a Position Account linked to an Individually Segregated Sponsored Account in which F&O Contracts are recorded. They further desire to agree to the operation of the Rules and the Procedures in relation to any Customer-CM F&O Transactions that may arise following the submission of the related F&O Transaction, as further provided for in these F&O Standard Terms.

- (6) Clearing Member and Customer have established a Cleared Transactions Master Agreement and, if applicable, a related collateral arrangement, whether contained in the same or another agreement with respect to cleared transactions, including such Customer-CM F&O Transactions (which Cleared Transactions Master Agreement may be supplemented by a cleared derivatives addendum, or similar document, as agreed by Clearing Member and Customer and as amended and supplemented by these F&O Standard Terms).
- (7) These F&O Standard Terms shall apply equally to the Sponsored Principal as they apply to a Customer and to the Clearing Member as they apply to a Sponsor, subject to such amendments and modifications as are set out in the Rules (including Part 19 of the Rules) and Procedures, the Sponsored Principal Clearing Agreement, the Sponsor Agreement and section 13 hereof.

F&O STANDARD TERMS:

1. **Defined Terms.** Terms used but not otherwise defined in these F&O Standard Terms shall have the meaning set forth in the Rules or the Procedures, as applicable.
2. **Exhibit to Rules.** These F&O Standard Terms are published by the Clearing House as an Exhibit to the Rules but do not form part of the Rules. Clearing Member and Customer agree that any amendments, modifications, restatements or supplements in respect of such Exhibit to the Rules (including the withdrawal of any part of these F&O Standard Terms) may be effective if made by the Clearing House pursuant to the provisions of Rule 109 as if the Exhibit were Rules and as if Rule 109 applied to Customers in addition to, and in the same way as it applies to, Clearing Members. At the request of Clearing Member or the Clearing House, Customer will enter into a written confirmation of the terms of any such amendment, modification, supplement or restatement. The Clearing House is a third party beneficiary of these F&O Standard Terms and may enforce these F&O Standard Terms. Accordingly, unless the Clearing House provides its prior written consent: (i) any attempted amendment to or disapplication of any provision of these F&O Standard Terms (or any amendment made hereto by the Clearing House) as between any Customer and Clearing Member shall be void and of no effect; and (ii) any agreement that any provision of any other document shall prevail over these F&O Standard Terms (or any amendment made hereto by the Clearing House) shall be void and of no effect.
3. **Cleared Transactions.**
 - (a) Clearing Member may designate, by specifying that certain F&O Transactions submitted to the Clearing House are to be recorded in a Customer Position

Account, that certain transactions between Clearing Member and Customer shall arise at the same time as related F&O Contracts and shall constitute Customer- CM F&O Transactions.

- (b) Clearing Member and Customer agree that a Customer-CM F&O Transaction shall arise automatically and without further action on the part of Clearing Member or Customer ~~at the Acceptance Time~~ as set out in Part 4 of the Rules in respect of the related F&O Contract.
- (c) The terms of any Customer-CM F&O Transaction shall, save as contemplated by these F&O Standard Terms, be identical to those of the related F&O Contract between Clearing Member and the Clearing House (as such F&O Contract may be amended from time to time in accordance with the Rules and/or Procedures), except that:
- (i) if the Clearing Member is the seller under the F&O Contract it shall be the buyer under the Customer-CM F&O Transaction and vice versa;
 - (ii) Customer's recourse against Clearing Member shall be limited and Clearing Member's obligations to Customer shall be conditional as provided for in Section 8(c) below;
 - (iii) Customer-CM F&O Transactions shall also be subject to these F&O Standard Terms and the terms of the Customer-Clearing Member Agreement; and
 - (iv) except where the Settlement and Notices Terms or a Customer-Clearing Member Agreement provide for specific timings in respect of the performance of obligations:
 - (1) any obligation of the Clearing Member to the Customer shall not be required to be performed until a reasonable period has passed after the Clearing Member has received equivalent performance from the Clearing House; and
 - (2) any obligation of the Customer to the Clearing Member may be required by the Clearing Member to be performed a reasonable period in advance of the Clearing Member becoming obliged to the Clearing House in respect of an equivalent obligation.
- (d) If any Customer-CM F&O Transactions are governed by a Customer-Clearing Member Agreement which is not a separate agreement from any master agreement applicable to transactions between Clearing Member and Customer other than Customer-CM F&O Transactions ("**Non-Cleared Transactions**"), Clearing Member and Customer shall distinguish in their books and records Customer-CM F&O Transactions from Non-Cleared Transactions to the extent

same Customer Account, but without giving effect to any offset or permitted offset of such Open Contract Positions against Open Contract Positions relating to a different Customer.

- (b) Customer agrees that Clearing Member may use any margin provided by Customer under the Customer-Clearing Member Agreement ~~to satisfy in circumstances in which the Clearing Member's obligations to the Clearing House under Rule 504 and Rule 505 or Part 11. Customer shall not be entitled to assert any equitable or other claim to any such collateral and/or Permitted Cover that has been transferred to the Clearing House.~~ representations and warranties to and agreements with the Clearing House are entered into and made (as applicable) under the relevant Clearing Membership Agreement, Rule 504, Rule 505 and Part 11, without any breach by the Clearing Member of any such provision. On each occasion on which collateral is transferred by the Clearing Member to the Clearing House for credit to a Customer Account in which any Customer-CM F&O Transactions of the Customer is recorded, the Customer shall be deemed to give all the same representations, warranties and acknowledgments as are given by the Clearing Member pursuant to Rule 504(c)(iii), (iv) and (v) (save that the reference to 'Clearing Member' in Rule 504(c)(iv) will be treated as a reference to 'Customer' and the reference to 'any third party' in Rule 504(c)(v) will be treated as a reference to 'the Customer'), Rule 504(g) and Rule 505. Customer shall take any action reasonably requested by the Clearing House or the Clearing Member that may be necessary or desirable to create, preserve, perfect or validate the right, title or interests of the Clearing House in any Margin or Permitted Cover or to enable the Clearing House to exercise or enforce any of its rights under the Rules with respect to Margin or other Permitted Cover. Customer shall not create or give notice of any Encumbrance related to Permitted Cover that is held by the Clearing House in any Account. Customer shall not assert that: (i) it is the beneficiary of or interested party in any Encumbrance with respect to any Permitted Cover held by the Clearing House; (ii) it has given any notice of any such Encumbrance to the Clearing House; or (iii) the Clearing House otherwise should be attributed with notice in respect of any such Encumbrance. Nothing in this provision is intended to prevent any Encumbrance arising under Applicable Laws in favour of a Customer from subsisting in any receivable of a Clearing Member in respect of a Customer Account.

5. *Events of Default and Termination.*

- (a) In the event of the declaration by the Clearing House of an Event of Default (as defined in the Rules) with respect to Clearing Member (such an event being an "**ICE-Declared Default**"), whether or not any other default (howsoever defined or described) has also occurred under the Customer-Clearing Member Agreement or otherwise, Customer shall not be entitled to exercise any remedies with respect to Customer-CM F&O Transactions pursuant to the Customer-Clearing Member Agreement or otherwise, except as provided herein (and any other remedies being

exercised at the time of the declaration of such ICE-Declared Default shall cease and be superseded by the applicable provisions of these F&O Standard Terms).

- (b) If an ICE-Declared Default occurs at a time when Clearing Member has not already terminated the relevant Customer-CM F&O Transactions by reason of the occurrence of an event of default or termination event relating to Customer, Clearing Member may not take any action against Customer that may interfere with the Default Portability Rule resulting in Customer discharging its obligations to Clearing Member as provided for in Section 6(e) below. Save for such restriction, nothing in these F&O Standard Terms will limit Clearing Member's remedies under the Customer-Clearing Member Agreement in respect of Customer-CM F&O Transactions if an event of default or termination event (or similar concept) with respect to Customer occurs under the Customer-Clearing Member Agreement.

(c) Upon an ICE-Declared Default:

- (i) in accordance with Section 3, as a result of no further liabilities, obligations or rights of the Clearing Member falling due for performance or being capable of enforcement under any F&O Contracts or these Rules prior to calculation of the final net sum payable under the relevant Customer Account pursuant to Part 9 (except as is required to achieve settlement finality of irrevocable Transfer Orders pursuant to Part 12), it shall be a condition precedent to performance of any obligations on the part of the Customer (except as is required to achieve settlement finality of irrevocable Transfer Orders to which the Customer is bound pursuant to Part 12) under the Customer-CM F&O Transaction that either: (A) the related F&O Contract has been terminated; or (B) the date of payment of the relevant net sum as between the Customer and Clearing Member pursuant to the Cleared Transactions Master Agreement and Applicable Laws, following completion of any applicable close-out netting or Insolvency processes has occurred;
- (ii) any provision of a Cleared Transactions Master Agreement requiring termination of a Customer-CM F&O Transaction upon, prior to or following an ICE-Declared Default or giving a party the right to terminate (other than such a termination or right effective contemporaneous with termination of the related F&O Contract), shall be ineffective unless (A) one of the parties is incorporated in Switzerland or any other jurisdiction as may be specified by the Clearing House for such purposes; or (B) the Clearing House provides its written consent to such termination provision being effective, which consent may be given after declaration of the relevant ICE-Declared Default; and
- (iii) if a provision of the Cleared Transactions Master (iii) Agreement that provides for the termination of the Customer-CM F&O Transaction is not suspended or disappplied pursuant to Sections 5(a) or 5(c)(ii): (A) Section

3(h) shall nonetheless still apply to determine the termination price of any Customer-CM F&O Transaction; and (B) if a Customer-CM F&O Transaction is so terminated other than at a time contemplated by Section 5(c)(ii), Section 6 of these Standard Terms shall apply *mutatis mutandis* in relation to such terminated Customer-CM F&O Transaction and rights, obligations and liabilities relating thereto.

6. *Post-default Portability; Termination and Valuation of Cleared Transactions.*

- (a) Customer shall indicate to Clearing Member in such manner as the Clearing House may direct:
 - (i) Customer's preference as to whether, in the event of an ICE-Declared Default, it would prefer the Clearing House to apply the Default Portability Rules and related processes to the Customer's Customer-CM F&O Transactions and related F&O Contracts; and
 - (ii) its Default Portability Preference.

Any Default Portability Preference notified by Customer must apply to all Customer-CM F&O Transactions with Clearing Member. Any such Default Portability Preference by Customer may be amended by notice to Clearing Member (who will, in turn, notify the Clearing House in accordance with the Rules and the Procedures), at any time prior to the occurrence of an ICE-Declared Default in respect of Clearing Member or, at the discretion of the Clearing House, by notice directly to the Clearing House in accordance with the Rules and the Procedures, following the occurrence of such an ICE-Declared Default.

- (b) Unless it has notified the Clearing Member and Clearing House in writing to the contrary, Customer hereby consents and agrees that, in the event of an ICE-Declared Default, whether or not Customer has specified a Default Portability Preference, the Clearing House shall be entitled (but shall not be obliged) to apply the Default Portability Rules with respect to F&O Contracts to which Clearing Member and Customer's Customer-CM F&O Transactions relate, including by taking any of the following steps:
 - (i) transferring, assigning, selling or novating Customer-CM F&O Transactions (and related F&O Contracts) to any Transferee Clearing Member;
 - (ii) terminating Customer-CM F&O Transactions (and related F&O Contracts) and arranging for the entry into of new replacement Customer- CM F&O Transactions (and related F&O Contracts) with any Transferee Clearing Member (by way of novation or otherwise); and/or
 - (iii) transferring Margin (in such amount as the Clearing House may determine) credited to the Customer Margin Account of Clearing Member to the Customer Margin Account of the Transferee Clearing Member and,

12. *Miscellaneous.*

- (a) ***Entire Agreement.*** These F&O Standard Terms (together with the Customer-Clearing Member Agreement and the Rules and the Procedures incorporated by reference herein) constitutes the entire agreement and understanding of Customer and Clearing Member with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto.
- (b) ***Headings.*** The headings used in these F&O Standard Terms are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting these F&O Standard Terms.
- (c) ***Governing Law.*** Any contractual or non-contractual disputes arising out of or in connection with the Customer-Clearing Member Agreement are governed by and shall be construed in accordance with the law specified in the Customer-Clearing Member Agreement and subject to the non-exclusive jurisdiction of the courts specified in the Cleared Transactions Master Agreement provided that: (i) Sections 6(d) and 11 of these F&O Standard Terms shall be governed by and shall be construed in accordance with the laws of England and Wales and are subject to arbitration under Rule 117 as if such provisions of these F&O Standard Terms were Rules and the parties were bound thereby as if they were both Clearing Members, notwithstanding any choice of law or jurisdiction in the Cleared Transactions Master Agreement; and (ii) each provision of the Rules and the Procedures incorporated by reference herein or in the Customer-Clearing Member Agreement shall be governed by and construed in accordance with the laws of England and Wales, as set forth in the relevant governing law provision of such document (it being understood that no Pledged Collateral Matters are of relevance to Non- FCM/BD Clearing Members). Clearing Member and Customer hereby waive any right to object to any such proceedings on the basis of *forum non conveniens* or otherwise.
- (d) **[Intellectual Property.](#)** [Customer agrees to the representation, warranty and undertaking specified in Rule 406\(g\).](#)

13. *Modifications where Clearing Member is a Sponsor and Customer is a Sponsored Principal.*

- (a) This Section 13 shall apply only in respect of an Individually Segregated Sponsored Account, notwithstanding any other provisions of these F&O Standard Terms to the contrary.
- (b) The Sponsored Principal and Sponsor agree that, save in the circumstances contemplated by these F&O Standard Terms and as provided for in any Customer-Clearing Member Agreement or other agreement between Sponsored Principal and Sponsor, each Customer-CM F&O Transaction is intended to reflect exactly the obligations of the Clearing Member in respect of the related F&O Contract in the manner set forth in Part

to Part 19, where related cleared FX Contracts are requested or are to be requested by the FX Clearing Member or Customer to be recorded in a Position Account linked to an Individually Segregated Sponsored Account in which FX Contracts are recorded. They further desire to agree to the operation of the Rules and the Procedures in relation to any Customer-CM FX Transactions that may arise following the submission of the related FX Trade Particulars, as further provided for in these FX Standard Terms.

- (6) Clearing Member and Customer have established a Cleared Transactions Master Agreement and, if applicable, a related collateral arrangement, whether contained in the same or another agreement with respect to cleared transactions, including such Customer-CM FX Transactions (which Cleared Transactions Master Agreement may be supplemented by a cleared derivatives addendum, or similar document, as agreed by Clearing Member and Customer and as amended and supplemented by these FX Standard Terms).
- (7) These FX Standard Terms shall apply equally to the Sponsored Principal as they apply to a Customer and to the Clearing Member as they apply to a Sponsor, subject to such amendments and modifications as are set out in the Rules (including Part 19 of the Rules) and Procedures, the Sponsored Principal Clearing Agreement, the Sponsor Agreement and section 13 hereof.

FX STANDARD TERMS:

1. ***Defined Terms.*** Terms used but not otherwise defined in these FX Standard Terms shall have the meaning set forth in the Rules or the Procedures, as applicable.
2. ***Exhibit to Rules.*** These FX Standard Terms are published by the Clearing House as an Exhibit to the Rules but do not form part of the Rules. Clearing Member and Customer agree that any amendments, modifications, restatements or supplements in respect of such Exhibit to the Rules (including the withdrawal of any part of these FX Standard Terms) may be effective if made by the Clearing House pursuant to the provisions of Rule 109 as if the Exhibit were Rules and as if Rule 109 applied to Customers in addition to, and in the same way as it applies to, Clearing Members. At the request of Clearing Member or the Clearing House, Customer will enter into a written confirmation of the terms of any such amendment, modification, supplement or restatement. The Clearing House is a third party beneficiary of these Standard Terms and may enforce these FX Standard Terms. Accordingly, unless the Clearing House provides its prior written consent: (i) any attempted amendment to or disapplication of any provision of these FX Standard Terms (or any amendment made hereto by the Clearing House) as between any Customer and Clearing Member shall be void and of no effect; and (ii) any agreement that any provision of any other document shall prevail over these FX Standard Terms (or any amendment made hereto by the Clearing House) shall be void and of no effect.

3. *Cleared Transactions.*

- (a) Clearing Member may designate, by specifying that certain FX Trade Particulars submitted to the Clearing House are to be recorded in a Customer Position Account, that certain transactions between Clearing Member and Customer shall arise at the same time as related FX Contracts and shall constitute Customer-CM FX Transactions.
- (b) Clearing Member and Customer agree that a Customer-CM FX Transaction shall arise automatically and without further action on the part of Clearing Member or Customer ~~at the Acceptance Time~~ as set out in Part 4 of the Rules in respect of the related FX Contract.
- (c) The terms of any Customer-CM FX Transaction shall, save as contemplated by these FX Standard Terms, be identical to those of the related FX Contract between Clearing Member and the Clearing House (as such FX Contract may be amended from time to time in accordance with the Rules and/or FX Procedures), except that:
 - (i) if the Clearing Member is the Reference Currency Seller under the FX Contract it shall be the reference currency buyer under the Customer-CM FX Transaction and vice versa;
 - (ii) Customer's recourse against Clearing Member shall be limited and Clearing Member's obligations to Customer shall be conditional as provided for in Section 8(c) below;
 - (iii) Customer-CM FX Transactions shall also be subject to these FX Standard Terms and the terms of the Customer-Clearing Member Agreement; and
 - (iv) except where the Settlement and Notices Terms or a Customer-Clearing Member Agreement provide for specific timings in respect of the performance of obligations:
 - (1) any obligation of the Clearing Member to the Customer shall not be required to be performed until a reasonable period has passed after the Clearing Member has received equivalent performance from the Clearing House; and
 - (2) any obligation of the Customer to the Clearing Member may be required by the Clearing Member to be performed a reasonable period in advance of the Clearing Member becoming obliged to the Clearing House in respect of an equivalent obligation.
- (d) If any Customer-CM FX Transactions are governed by a Customer-Clearing Member Agreement which is not a separate agreement from any master agreement applicable to transactions between Clearing Member and Customer other than Customer-CM FX Transactions ("**Non-Cleared Transactions**"),

- (b) Customer agrees that Clearing Member may use any margin provided by Customer under the Customer-Clearing Member Agreement ~~to satisfy in circumstances in which the Clearing Member's obligations to the Clearing House under Rule 504 and Rule 505 or Part 11. Customer shall not be entitled to assert any equitable or other claim to any such collateral and/or Permitted Cover that has been transferred to the Clearing House.~~ representations and warranties to and agreements with the Clearing House are entered into and made (as applicable) under the relevant Clearing Membership Agreement, Rule 504, Rule 505 and Part 11, without any breach by the Clearing Member of any such provision. On each occasion on which collateral is transferred by the Clearing Member to the Clearing House for credit to a Customer Account in which any Customer-CM FX Transactions of the Customer is recorded, the Customer shall be deemed to give all the same representations, warranties and acknowledgments as are given by the Clearing Member pursuant to Rule 504(c)(iii), (iv) and (v) (save that the reference to 'Clearing Member' in Rule 504(c)(iv) will be treated as a reference to 'Customer' and the reference to 'any third party' in Rule 504(c)(v) will be treated as a reference to 'the Customer'), Rule 504(g) and Rule 505. Customer shall take any action reasonably requested by the Clearing House or the Clearing Member that may be necessary or desirable to create, preserve, perfect or validate the right, title or interests of the Clearing House in any Margin or Permitted Cover or to enable the Clearing House to exercise or enforce any of its rights under the Rules with respect to Margin or other Permitted Cover. Customer shall not create or give notice of any Encumbrance related to Permitted Cover that is held by the Clearing House in any Account. Customer shall not assert that: (i) it is the beneficiary of or interested party in any Encumbrance with respect to any Permitted Cover held by the Clearing House; (ii) it has given any notice of any such Encumbrance to the Clearing House; or (iii) the Clearing House otherwise should be attributed with notice in respect of any such Encumbrance. Nothing in this provision is intended to prevent any Encumbrance arising under Applicable Laws in favour of a Customer from subsisting in any receivable of a Clearing Member in respect of a Customer Account.

5. *Events of Default and Termination.*

- (a) In the event of the declaration by the Clearing House of an Event of Default (as defined in the Rules) with respect to Clearing Member (such an event being an "**ICE-Declared Default**"), whether or not any other default (howsoever defined or described) has also occurred under the Customer-Clearing Member Agreement or otherwise, Customer shall not be entitled to exercise any remedies with respect to Customer-CM FX Transactions pursuant to the Customer-Clearing Member Agreement or otherwise, except as provided herein (and any other remedies being exercised at the time of the declaration of such ICE-Declared Default shall cease and be superseded by the applicable provisions of these FX Standard Terms).
- (b) If an ICE-Declared Default occurs at a time when Clearing Member has not already terminated the relevant Customer-CM FX Transactions by reason of the occurrence of an event of default or termination event relating to Customer,

Clearing Member may not take any action against Customer that may interfere with the Default Portability Rule resulting in Customer discharging its obligations to Clearing Member as provided for in Section 6(e) below. Save for such restriction, nothing in these FX Standard Terms will limit Clearing Member's remedies under the Customer-Clearing Member Agreement in respect of Customer-CM FX Transactions if an event of default or termination event (or similar concept) with respect to Customer occurs under the Customer-Clearing Member Agreement.

(c) Upon an ICE-Declared Default:

- (i) in accordance with Section 3, as a result of no further liabilities, obligations or rights of the Clearing Member falling due for performance or being capable of enforcement under any FX Contracts or these Rules prior to calculation of the final net sum payable under the relevant Customer Account pursuant to Part 9 (except as is required to achieve settlement finality of irrevocable Transfer Orders pursuant to Part 12), it shall be a condition precedent to performance of any obligations on the part of the Customer (except as is required to achieve settlement finality of irrevocable Transfer Orders to which the Customer is bound pursuant to Part 12) under the Customer-CM FX Transaction that either: (A) the related FX Contract has been terminated; or (B) the date of payment of the relevant net sum as between the Customer and Clearing Member pursuant to the Cleared Transactions Master Agreement and Applicable Laws, following completion of any applicable close-out netting or Insolvency processes has occurred;
- (ii) any provision of a Cleared Transactions Master Agreement requiring termination of a Customer-CM FX Transaction upon, prior to or following an ICE-Declared Default or giving a party the right to terminate (other than such a termination or right effective contemporaneous with termination of the related FX Contract), shall be ineffective unless (A) one of the parties is incorporated in Switzerland or any other jurisdiction as may be specified by the Clearing House for such purposes; or (B) the Clearing House provides its written consent to such termination provision being effective, which consent may be given after declaration of the relevant ICE-Declared Default; and
- (iii) if a provision of the Cleared Transactions Master (iii) Agreement that provides for the termination of the Customer-CM FX Transaction is not suspended or disapplied pursuant to Sections 5(a) or 5(c)(ii): (A) Section 3(h) shall nonetheless still apply to determine the termination price of any Customer-CM FX Transaction; and (B) if a Customer-CM FX Transaction is so terminated other than at a time contemplated by Section 5(c)(ii), Section 6 of these Standard Terms shall apply *mutatis mutandis* in relation

to such terminated Customer-CM FX Transaction and rights, obligations and liabilities relating thereto.

6. *Post-default Portability; Termination and Valuation of Cleared Transactions.*

- (a) Customer shall indicate to Clearing Member in such manner as the Clearing House may direct:
- (i) Customer's preference as to whether, in the event of an ICE-Declared Default, it would prefer the Clearing House to apply the Default Portability Rules and related processes to the Customer's Customer-CM FX Transactions and related FX Contracts; and
 - (ii) its Default Portability Preference.

Any Default Portability Preference notified by Customer must apply to all Customer-CM FX Transactions with Clearing Member. Any such Default Portability Preference by Customer may be amended by notice to Clearing Member (who will, in turn, notify the Clearing House in accordance with the Rules and the Procedures), at any time prior to the occurrence of an ICE-Declared Default in respect of Clearing Member or, at the discretion of the Clearing House, by notice directly to the Clearing House in accordance with the Rules and the Procedures, following the occurrence of such an ICE-Declared Default.

- (b) Unless it has notified the Clearing Member and Clearing House in writing to the contrary, Customer hereby consents and agrees that, in the event of an ICE-Declared Default, whether or not Customer has specified a Default Portability Preference, the Clearing House shall be entitled (but shall not be obliged) to apply the Default Portability Rules with respect to FX Contracts to which Clearing Member and Customer's Customer-CM FX Transactions relate, including by taking any of the following steps:
- (i) transferring, assigning, selling or novating Customer-CM FX Transactions (and related FX Contracts) to any Transferee Clearing Member;
 - (ii) terminating Customer-CM FX Transactions (and related FX Contracts) and arranging for the entry into of new replacement Customer-CM FX Transactions (and related FX Contracts) with any Transferee Clearing Member (by way of novation or otherwise); and/or
 - (iii) transferring Margin (in such amount as the Clearing House may determine) credited to the Customer Margin Account of Clearing Member to the Customer Margin Account of the Transferee Clearing Member and, if such a transfer occurs, Clearing Member's obligations to Customer in respect of the transferred Margin shall be fully discharged.
- (c) In the event that the Clearing House arranges for a replacement FX Contract and related Customer-CM FX Transaction pursuant to Section 6(b)(ii), the Customer-

and Clearing Member with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto.

- (b) **Headings.** The headings used in these FX Standard Terms are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting these FX Standard Terms.
- (c) **Governing Law.** Any contractual or non-contractual disputes arising out of or in connection with the Customer-Clearing Member Agreement are governed by and shall be construed in accordance with the law specified in the Customer-Clearing Member Agreement and subject to the non-exclusive jurisdiction of the courts specified in the Cleared Transactions Master Agreement provided that: (i) Sections 6(d) and 11 of these FX Standard Terms shall be governed by and shall be construed in accordance with the laws of England and Wales and are subject to arbitration under Rule 117 as if such provisions of these FX Standard Terms were Rules and the parties were bound thereby as if they were both Clearing Members, notwithstanding any choice of law or jurisdiction in the Cleared Transactions Master Agreement; and (ii) each provision of the Rules and the Procedures incorporated by reference herein or in the Customer-Clearing Member Agreement shall be governed by and construed in accordance with the laws of England and Wales, as set forth in the relevant governing law provision of such document (it being understood that no Pledged Collateral Matters are of relevance to Non- FCM/BD Clearing Members). Clearing Member and Customer hereby waive any right to object to any such proceedings on the basis of *forum non conveniens* or otherwise.
- (d) **Intellectual Property.** Customer agrees to the representation, warranty and undertaking specified in Rule 406(g).

13. ***Modifications where Clearing Member is a Sponsor and Customer is a Sponsored Principal.***

- (a) This Section 13 shall apply only in respect of an Individually Segregated Sponsored Account, notwithstanding any other provisions of these FX Standard Terms to the contrary.
- (b) The Sponsored Principal and Sponsor agree that, save in the circumstances contemplated by these FX Standard Terms and as provided for in any Customer-Clearing Member Agreement or other agreement between Sponsored Principal and Sponsor, each Customer-CM FX Transaction is intended to reflect exactly the obligations of the Clearing Member in respect of the related FX Contract in the manner set forth in Part 19 of the Rules. Any reference to an FX Contract or Customer-CM FX Transaction or the relationship between a Sponsored Principal and Sponsor shall be construed in accordance with recitals 4 to 8, Part 19 of the Rules, the Sponsored Principal Clearing Agreement and the Sponsor Agreement.

Finance Procedures

(II) FINANCE PROCEDURES

INDEX

1.	General	2
2.	Cash collateral	4
3.	Triparty Collateral	4
4.	Assured Payment System: Accounts	8
5.	Assured Payment System: Procedures	11
6.	Payments To And From The Clearing House	13
7.	Custody Accounts	20
8.	Permitted Cover: Securities	21
9.	Intentionally Omitted.	22
10.	Permitted Cover: Gold Bullion	22
11.	Settlement Procedures For Non-Cash Collateral	24
12.	Intentionally omitted.	26
13.	Risk Management	26
14.	Guaranty Fund Parameters And Restrictions	28
15.	Clearing House Contributions	29

~~8 November 2019~~

Finance Procedures

1.11 The following terms shall have the meaning specified below where they are used in these Procedures:

- (a) “CZK” means the lawful currency from time to time of the Czech Republic;
- (b) “DKK” means the lawful currency from time to time of the Kingdom of Denmark;
- (c) “HUF” means the lawful currency from time to time of Hungary;
- (d) “JPY” means the lawful currency from time to time of Japan;
- (e) “NOK” means the lawful currency from time to time of the Kingdom of Norway;
- (f) “PLN” means the lawful currency from time to time of the Republic of Poland;
- (g) “TRY” means the lawful currency from time to time of the Republic of Turkey; and
- (h) “ZAR” means the lawful currency from time to time of the Republic of South Africa.

2. CASH COLLATERAL

2.1 The Clearing House will support transactions and account holdings in six currencies: USD, GBP, EUR, CAD, CHF and SEK. Initial Margin, Original Margin and FX Original Margin obligations may be met only in USD, GBP and EUR. Other currencies may be used by Clearing Members and Sponsored Principals only for the receipt of income on non-cash Permitted Cover with coupons payable in those currencies. CAD may also be used for Variation Margin and settlement payments only for Energy Contracts which settle in CAD (whether in whole or in part). AUD, CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY and ZAR may also be used for Variation Margin and settlement payments only for Financials & Softs Contracts which settle in such currencies (whether in whole or in part).

2.2 The Clearing House supports cross currency collateral, which means that it is not necessary to cover Margin requirements in the same currency as the underlying Contract (other than Variation Margin in accordance with Rule 502(c)). The relevant exchange rate applied is the rate determined by the daily concertation procedure between central banks within and outside the European System of Central Banks (currently published by the European Central Bank at <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html#latest>) on the day or business day prior to the date on which the exchange rate is calculated by the Clearing House or, in the event that such rate is not available, a reasonable exchange rate determined by the Clearing House at its discretion. ~~Cross currency coverage will result in the application of~~ The Clearing House may impose a “haircut” on any Original Margin provided in a currency other than the reference currency to cover fluctuations in exchange rates. Applicable exchange rate haircuts will be published from time to time by Circular. Haircuts will be determined as set out in paragraph 13.7 of these Finance Procedures.

2.3 Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin is transferred to and from the Clearing House by way of outright transfer. Accordingly: (i) no Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin is subject to any Pledged Collateral Addendum or the pledge referred to in paragraph 7.2; and (ii) there is excluded from the requirement in Rule 1603(c) for Margin to be provided by an FCM/BD Clearing Member in respect of a Customer Account in the form of Pledged Collateral, any Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin so provided to or by the Clearing House by outright transfer of cash.

3. TRIPARTY COLLATERAL

General

3.1 Clearing Members may use Triparty Collateral to cover Original Margin, Initial Margin and FX Original Margin requirements for certain Accounts, as specified in Circulars concerning the use of

Finance Procedures

Permitted Cover. This facility is available to Clearing Members at the discretion of the Clearing House. The facility is available, and this paragraph 3 applies equally, to Sponsored Principals in the same way as it applies to Clearing Members, save as expressly set out in paragraph 3.2, subject to Part 19 of the Rules. The Clearing House reserves the right to terminate this arrangement at any time. The service is provided in cooperation with the following Triparty Collateral Service Providers:

Euroclear Bank

Clearstream Banking.

3.2 These Finance Procedures should be read in conjunction with the Terms and Conditions and the Operational Procedures of the Triparty Collateral Service Providers. The legal basis underpinning the collateral consists of (i) the Collateral Service Agreement (or equivalent document) (CSA) of the Triparty Collateral Service Provider; (ii) the Clearing Membership Agreement (CMA, for Clearing Members) or Sponsored Principal Clearing Agreement (SPCA, for Sponsored Principals); and (iii) in respect of securities collateral which is transferred pursuant to a Pledged Collateral Addendum, such Pledged Collateral Addendum. The Collateral Giver (under the CSA) must be the same legal entity as the Clearing Member (under the CMA) or, in respect of an Individually Segregated Sponsored Account, the Disclosed Principal (under the SPCA).

3.3 The following definitions apply to these Triparty Collateral Procedures:

- (a) The term "Triparty Collateral Service Provider" or "Provider" means the institution offering the Triparty Collateral Service.
- (b) The term "Triparty Collateral Instruction" or "Instruction" means: (i) the instruction to ~~deposit~~transfer to or withdraw from the Clearing House, sent to the Clearing House by the Clearing Member; or (ii) the initiation, amendment or closure instructions sent by the Clearing House or the Clearing Member to the Triparty Collateral Service Provider.
- (c) The term "Triparty Collateral Transaction" or "Transaction" means the transaction which is created after matching and settlement of the instructions from both the Clearing House and the Clearing Member at the Triparty Collateral Service Provider.
- (d) The term "Fill" or "Filling" means the transfer of eligible securities and cash from the Clearing Member to the Clearing House in accordance with the Triparty Collateral Transaction.

Collateral Service Agreement

3.4 In order to use Triparty Collateral a CSA must be executed between the Clearing Member, the Clearing House and the Provider. This CSA contains terms and conditions, eligible securities and cash (Annex I), Eligibility Set profiles (Annex II) and Fee specifications (Annex III).

3.5 The Clearing House retains the right to add, adjust or remove any currency or any collateral type from the relevant list of eligible securities or change other components in the Eligibility Set profile at any time. The Clearing House will inform the Clearing Member and provide him with revised documentation as appropriate. The Clearing Member will be deemed to accept the revision proposed by the Clearing House and must inform the Provider of its acceptance within five business days. Rejection or delay in informing the Provider may result in a reduction in collateral value of the Triparty Collateral.

3.6 A Clearing Member may request an exclusion of asset types from the list of eligible securities and cash. Adjustments to other parts of the CSA will not be accepted by the Clearing House.

Triparty Collateral Service

- 3.7 The Clearing Member is allowed to ~~deposit~~[transfer to the Clearing House](#) Triparty Collateral in the three currencies currently supported by the Clearing House for Original Margin, Initial Margin and FX Original Margin (USD, GBP and EUR).
- 3.8 Instructions can be given for same day or for next business day settlement. Same day instructions will adjust the relevant collateral value when the Instructions are matched and settled and the Transaction is filled. ~~Deposits~~[Transfers](#) for next day settlement will receive collateral value in the next overnight clearing process of the Clearing House. Withdrawals for next day settlement will have an immediate effect on the value of the Clearing Member's collateral but will actually settle in the market in the next overnight settlement process of the Provider.
- 3.9 The Clearing House has opened accounts with each Triparty Collateral Service Provider, the account numbers of which will be confirmed, from time to time, by the Clearing House along with the details, if applicable, of how Clearing Members are able to use a Pledged Collateral Addendum (other than a Pledged Collateral Addendum relating to Customer Account Margin of an FCM/BD Clearing Member) in connection therewith.

Instruction

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

Matching or Settlement Instructions

- 3.14 Matching and settlement can only take place during the normal settlement window of the Provider. Unmatched instructions will be cancelled after the last matching possibility on the day on which the relevant instructions are issued has elapsed.
- 3.15 The Clearing House will provide updated information on the settlement status of Instructions through ECS. Clearing Members are responsible for monitoring the status of the Instructions. The status of an

instruction as matched or not matched is not advised by the Clearing House and the Clearing Member must confirm this directly with the relevant Provider.

- 3.16 It is the responsibility of the Clearing Member to ensure that instructions from ECS and the matching instruction to the Provider match correctly. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a settlement system, Provider or the Clearing Member.

Cancellation requests and cancellation of pending instructions

- 3.17 Clearing Members can only cancel an instruction prior to the time that the Clearing House sends the instruction to the Provider. After the Clearing House has sent the Instruction, the Clearing House will assume that the Instruction has been completed.
- 3.18 All unmatched Instructions are automatically cancelled at the end of each day in ECS. If the Instruction is unmatched and cancelled but the Clearing Member still wishes to initiate, amend or close the Transaction then the Clearing Member has to re-instruct the following business day.

Settlement deadlines

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

Holidays affecting settlement systems

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

Collateral transfers (transaction filling)

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

Deadline Triparty Collateral 9.00 am (UK TIME).

- 3.25 The additional requirement will not be released before the next end-of-day clearing process.
- 3.26 Cash might be used as collateral for the Triparty Collateral during the day. Cash remaining in a Transaction overnight on the account of the Clearing House will not be treated as cash collateral ~~or~~

~~deposited~~ upon completion of the relevant transfer to the Clearing House and no interest return will be paid.

Collateral value of Triparty Collateral

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

Termination of the Collateral Service Agreement

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

Corporate actions

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

Default

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

Finance Procedures

<p>Routine End-of-day Instruction</p>	<p>For Contracts other than F&O Contracts: On or after 00:00:00 London Time on Business Day X+1 but on or before 07:59:59 on Business Day X+1</p> <p>For F&O Contracts: On or after 00:00:00 London Time on Business Day X+1 but on or before 07:29:59 on Business Day X+1</p>	<p>Before 09:00:00 London time on Business Day X+1</p>
<p>Routine End-of-day Instruction for Financials & Softs Contracts that settle in JPY <u>only currencies other than EUR, USD or GBP</u></p>	<p>On or after 00:00:00 London Time on Business Day X+1 but on or before 07:29:59 on Business Day X+1</p>	<p>Before 09:00:00 London time on Business Day X+2</p>
<p>Intra-day Instruction</p>	<p>For Contracts other than F&O Contracts: between 09:00:00 and 19:00:00 London time on Business Day X</p> <p>For F&O Contracts: between 07:30:00 and 20:00:00 London time on Business Day X</p>	<p>Within one hour of instruction on Business Day X</p>
<p>Intra-day Instruction (contingency)</p>	<p>For Contracts other than F&O Contracts: On or after 08:00:00 on Business Day X but on or before 21:00:00 on Business Day X</p> <p>For F&O Contracts: On or after 07:30:00 on Business Day X but on or before 21:00:00 on Business Day X</p>	<p>Within one hour of instruction on Business Day X</p>

6. PAYMENTS TO AND FROM THE CLEARING HOUSE

6.1 General

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

~~resulting from price changes in underlying open Contracts will result in either a payment from the Clearing Member's relevant Nominated Bank Account by direct debit or a payment from a Clearing House Account to a Clearing Member's Nominated Bank Account pursuant to the Standard Payments Mechanism. Under the Standard Payments Mechanism, Margin payments are combined with all other amounts due and payable pursuant to the Rules and discussed further in this section-paragraph. As an alternative to the Standard Payments Mechanism, Clearing Members will be able to elect for upfront fees, Mark-to-Market Margin, FX Mark- to-Market Margin, Variation Margin or other payments to be excluded from the Standard Payments Mechanism by selecting the Externalised Payments Mechanism for any such classes of payments in respect of a particular Account, subject to the written consent of the Clearing House. Details of the payments to Clearing Members which can be included under the Externalised Payments Mechanism are set forth in Rule 302 and paragraph 6.1(i).~~

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

All ~~cash~~ instructions ~~should be instructed before~~ for ad hoc withdrawals of cash must be received by:

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

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

- (f) ~~No withdrawal will be possible after these deadlines.~~ Clearing Members are able to enter cash ~~deposits~~ transfers for value next day. These requests need to be entered and approved by Clearing Members prior to end of day, but ~~will only be accepted by~~ the Clearing House will only be obliged to accept such transfers on the following morning after receipt. Following receipt and acceptance by the Clearing House in ECS, the changes resulting from ad hoc cash

~~credits~~ will take effect immediately. ~~The Clearing House may require any Clearing Member to reduce excess cash on account with the Clearing House or may specify that excess cash on account above a certain threshold does not receive interest.~~ notwithstanding the previous sentence. This paragraph 6.1(f) is subject at all times to Rule 301(f).

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

(i) *Variation Margin (for F&O Contracts), Mark-to-Market Margin (for CDS Contracts) and FX Mark-to-Market Margin (for FX Contracts)*

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

Intra-day Calls: Contracts may also be marked to market and subject to an additional Initial Margin, Original Margin or FX Original Margin call (the proceeds of which may be applied against future Variation Margin, Mark-to-Market Margin or FX

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

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

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

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

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

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

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

Clearing Members will be able to answer the call by reducing positions (e.g. reallocation of trades/clearing give-ups), ~~generating profits through trading activities~~ or submitting new cash and/or collateral. Margin calls are ~~not~~ rounded to the ~~nearest~~smallest major currency unit (e.g. US dollar cents).

(iii) *Guaranty Fund adjustments*

Each relevant Guaranty Fund Period, the total value of the Guaranty Funds and required Guaranty Fund Contributions of Clearing Members are reviewed and may be amended. Each Clearing Member will be notified of its total Guaranty Fund Contribution requirements at each Guaranty Fund Period end by Circular. The Clearing House Contributions will also be notified to Clearing Members. Adjustments to Guaranty Fund Contributions will be notified to individual Clearing Members by e-mail to a nominated e-mail account of each Clearing Member the Business Day after the end of the relevant Guaranty Fund Period. ~~For the F&O Adjustments to~~ Guaranty Fund, ~~adjustments~~ Contributions will be made five ~~Business Days after the date of notification unless the relevant Circular specifies otherwise. For the CDS Guaranty Fund and FX Guaranty Fund, adjustments will be made two~~ Business Days after the date of notification unless the relevant Circular specifies otherwise. Other than in exceptional circumstances, any additional required Guaranty Fund Contribution payments will be included together with overnight calls and details will be included in daily reports provided to Clearing Members through ECS.

(iv) *Interest and price alignment amounts*

The Clearing House will notify Clearing Members of its interest rate in each currency on the Business Day following the day to which the rate applies. The Clearing House rates payable on Original Margin, Initial Margin and FX Original Margin are referred to as the ICE Deposit Rate (IDR). ~~Interest rates are payable on Mark-to-Market Margin for CDS Contracts by Clearing Members and the Clearing House. FX Mark-to-Market Interest is payable by Clearing Members and the Clearing House as set out in the FX Procedures.~~

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

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

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

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

The Clearing House will make payment to Clearing Members in respect of income and redemptions on non-cash assets transferred to the Clearing House as Margin,

The Clearing House or the operator of the relevant Market may arrange for one of its Affiliates or the Clearing House to make any payment in respect of rebates, fee discounts or incentive programmes on the payer's behalf. The payee in respect of a rebate, fee discount or incentive programme is the person who participates in the programme, regardless of whether such person is or is not a Clearing Member or member or participant of the relevant Market. A qualifying participant in a rebate, fee discount or incentive programme may from time to time direct that relevant payments be made directly to their account or to the account of their Clearing Member, exchange member, execution platform participant or any other third party. Any payment in accordance with such instructions shall constitute due and final payment by the Clearing House or Market to the account of the rebate, fee discount or incentive programme participant. Rebate, fee discount or incentive programme participants may direct changes to such payment arrangements from time to time by providing notice in writing to the Clearing House or the relevant Market. In the absence of any payment instructions, the Clearing House shall be entitled (but shall not be required) to make payment in respect of any rebate, fee discount or incentive programme payment by crediting amounts to the Proprietary Account or Customer Account of the relevant Clearing Member and in doing so shall have made good discharge of its obligations and those of any Market in relation to the relevant rebate, fee discount or incentive programme payment.

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

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

(vii) *Other amounts*

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

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

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

- (A) Margin Account Adjustments applied on Loss Distribution Days in accordance with Rule 914(e) may be netted and offset or aggregated by the Clearing House against any payment from or receivable by the relevant Contributor under either the Standard Payments Mechanism or the Externalised Payments Mechanism on the relevant Account, including

against any payment for MTM/VM and, accordingly, payments of Cash Gainer Adjustments and Cash Loser Adjustments pursuant to Rule 914(l) may be made under the Standard Payments Mechanism or the Externalised Payments Mechanism at the election and discretion of the Clearing House.

(B) Product Termination Amounts may be netted and offset or aggregated by the Clearing House against any other payment from or receivable by a Clearing Member under either the Standard Payments Mechanism or the Externalised Payments Mechanism, regardless of whether the Externalised Payments Mechanism would apply in respect of any kind of payment on the relevant Account by any other provision of these Procedures, at the election and discretion of the Clearing House.

(C) Payments of Collateral Offset Obligations as referred to in Rule 919(m) Assessment Contributions and Guaranty Fund Contribution calls or replenishments will be made under the Standard Payments Mechanism unless the Clearing House at its discretion directs otherwise.

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

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

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

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

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

Payments of Margin in a different currency on a Currency Holiday will not be netted against obligations in a currency other than that of the underlying Contract, nor paid in another currency. For Variation Margin, Mark-to-Market Margin and FX Mark-to-Market Margin, payment in a different currency from the contractual currency due to a Currency Holiday will result in a delay of payments to the next day on which payment may be made in the contractual currency. Any obligation to pay Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin in a currency other

than the contractual currency will result in an additional Original Margin, Initial Margin or FX Original Margin requirement, which must be covered with cash or non-cash collateral (which may be of, or be denominated in, a different currency). and which will be collected via the Standard Payments Mechanism, regardless of whether the Externalised Payments Mechanism applies to such Variation Margin, Mark-to-Market Margin or FX Mark-to-Market Margin (unless the Clearing House directs otherwise). Any obligation to pay any other amount in a currency other than the contractual currency may result in an additional Original Margin, Initial Margin or FX Original Margin requirement, which must be covered with cash or non-cash collateral (which may be of, or be denominated in, a different currency). In the case of payment in a currency other than the contractual currency being required in instances other than a Currency Holiday, the Clearing House will specify in the relevant Circular how applicable obligations will be margined or netted.

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

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

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

- (k) In respect of Contracts that are equity or equity index futures or options products:

- (i) No Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall enter into any Contract in any equity or equity index futures or option product with the Clearing House unless:
- (A) such Clearing Member has entered into a qualified intermediary agreement with the U.S. Internal Revenue Service (the “IRS”) to become: (y) with respect to any Proprietary Account Contract or any other Contract in respect of which such Clearing Member considers that it is acting as principal for U.S. tax purposes, a qualified derivatives dealer (“Qualified Derivatives Dealer”); and (z) with respect to any Customer Account Contract in respect of which such Clearing Member considers that it acts as an intermediary for U.S. tax purposes, a qualified intermediary that assumes the primary obligation for withholding under Chapters 3 and 4 of subtitle A of the Internal Revenue Code of 1986, as amended (the “Code”) and for reporting and withholding under Chapter 61 of subtitle F and Section 3406 of the Code (“Withholding Qualified Intermediary”), such that the Clearing House may make payments of dividend equivalents (as that term is defined in Section 871(m)(2) of the Code and Treasury Regulations Section 1.871- 15(c) or any successor thereto (“Dividend Equivalents”)) or deemed payments to such Clearing Member free from U.S. withholding taxes imposed pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 of subtitle F and Section 3406, of the Code arising from Contracts with the Clearing House that are entered into by the Clearing Member; and
- (B) such Contract entered into by the Clearing Member is within the scope of the exemption from withholding tax for Dividend Equivalents paid to Qualified Derivative Dealers or Withholding Qualified Intermediaries pursuant to Chapters 3 and 4 of subtitle A, and Chapter 61 of subtitle F and Section 3406, of the Code; and
- (C) such Clearing Member has qualified under such procedures promulgated by the IRS as are in effect from time to time to establish an exemption from withholding under FATCA, such that the Clearing House will not be required to withhold any amount with respect to any payment made or deemed to be made to such Clearing Member under FATCA.

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

- (ii) On 1 January of each year, each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes and that enters into any Contract in any equity or equity index futures or option product with the Clearing House in accordance with paragraph 6.1(k)(i) shall certify to the Clearing House that such Clearing Member satisfies the requirements of paragraph 6.1(k)(i) by providing to the Clearing House appropriate tax documentation attesting to such Clearing Member’s U.S. federal income tax status. Each such Clearing Member is required to promptly update its certification to the Clearing House when required by Applicable Law and, if sooner, whenever the certification is no longer accurate.
- (iii) On 1 January of each year, each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall provide the Clearing House with information relating to Dividend Equivalents the Clearing House pays or is treated as paying to such Clearing Member in sufficient detail and in a sufficiently timely manner to enable the Clearing House to report on IRS Forms 1042 and 1042-S (or successor forms) under Chapters 3 and 4 of subtitle A of the Code the required amounts and other information relating to such Dividend Equivalents and

transactions giving rise thereto between the Clearing House and the Clearing Member.

(iv) Each Clearing Member that is treated as a non-U.S. entity for U.S. federal income tax purposes shall promptly notify the Clearing House in writing if it undergoes a change in circumstance that would affect its compliance with this paragraph 6.1(k), or otherwise knows or has reason to know that it is not, or will not be, in compliance with this paragraph 6.1(k), but in each case, such notice must be delivered to the Clearing House no later than within two Business Days of the Clearing Member's knowledge thereof.

(v) The representations set forth above or for U.S. tax purposes concerning "principal" or "intermediary" status shall not affect the rights, obligations, status, position or capacity of any Clearing Member as principal or otherwise under Contracts, in respect of Margin or under the Rules or Procedures.

7. CUSTODY ACCOUNTS

7.1 Pursuant to Rule 502, Original Margin, Initial Margin and FX Original Margin requirements are payable initially in cash but a Clearing Member may substitute such cash Original Margin, Initial Margin or FX Original Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. Such transfers must first be notified to the Clearing House by the relevant Clearing Member through ECS and will not be effective and may not be made until after the Clearing House has approved the proposed transaction in ECS. Guaranty Fund Contribution requirements may also be satisfied through non-cash assets to the extent allowed under the Rules and these Procedures. This paragraph 7.1 applies to each Sponsored Principal (or, to the extent that a Sponsor operates Nominated Bank Accounts in respect of an Individually Segregated Sponsored Account, each such Sponsor) in the same way as it applies to a Clearing Member, subject to Part 19 of the Rules.

7.2 Pursuant to Clearing Membership Agreements and Sponsored Principal Clearing Agreements, the Clearing House receives all non-cash assets provided to it ~~for accounts~~ as Permitted Cover in respect of Accounts that are not Pledged Collateral Accounts pursuant to title transfer arrangements. For Pledged Collateral Accounts, pursuant to the relevant Pledged Collateral Addendum, the Clearing House is beneficiary of a pledge over ~~such assets. The Clearing House holds all~~ non-cash assets provided to it as Permitted Cover ~~with a third party custodian (which may in turn use sub-custodians)~~. Non-cash assets transferred to the Clearing House by way of title transfer cease to belong to the Clearing Member, Sponsored Principal or Sponsor upon transfer to the Clearing House. ~~The~~ Accounts available to the Clearing Members in ECS will contain information concerning the amounts and kinds of non-cash Permitted Cover that have been transferred to the Clearing House ~~will operate separate custody accounts~~ in respect of ~~each Clearing Member or Sponsored Principal, one custody account in respect of and linked to each of its Accounts (save for Margin flow Co-mingled Accounts, where only one custody account will be available) and, in the case of Clearing Members, one account each in respect of its F&O Guaranty Fund Contributions, CDS Guaranty Fund Contributions and FX Guaranty Fund~~ both Margin and Guaranty Fund Contributions. Non-cash Permitted Cover will be held in accounts of the Clearing House at a Custodian, central securities depository ("CSD") or international central securities depository ("ICSD"), which accounts are in the name of the Clearing House, as permitted under regulatory technical standards under EMIR. Such accounts may be managed by a third party agent. Returns, coupons, redemption amounts, dividends and any other accruals as arise from time to time in respect of any class of Permitted Cover will themselves be credited to the relevant Nominated Bank Account of the Clearing Member concerned. The arrangements are intended to facilitate tax reporting and avoid any unnecessary withholding of tax at source. ~~Returns on Permitted Cover held in a Guaranty Fund Contribution custody account will be for the credit of~~ If liquidity needs to be generated against any non-cash assets transferred to the Clearing House as Permitted Cover, for example in respect of a Defaulter's Margin or non-defaulting Clearing Members' Guaranty Fund Contributions following an Event of Default or when required to support liquidity funding for making

payments, non-cash assets held by the Clearing House may become the subject of repurchase agreements or secured lending facilities or may be sold and as a result such assets or their proceeds may be held in other kinds of accounts. However, in the case of Margin (and Guaranty Fund Contributions which are ultimately not applied under the Rules), the Clearing House will remain liable to transfer assets of the same kind as those which were transferred, upon relevant secured obligations for the relevant Proprietary Account being performed or closed out by the Clearing Member.

7.3 In the event that a Clearing Member wishes to lodge U.S. Government securities as Permitted Cover, Clearing Members are required to complete and return a Form W-8BEN “Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding” (non-U.S. entities) or a Form W-9 “Request for Taxpayer Identification Number and Certification” (U.S. entities). In the event that a Sponsored Principal or Sponsor wishes to lodge U.S. Government securities as Permitted Cover, the Sponsored Principal is required to complete and return a Form W-8BEN “Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding” (non-U.S. entities) or a Form W-9 “Request for Taxpayer Identification Number and Certification” (U.S. entities) specifying the name and details of the Sponsored Principal. Clearing Members, Sponsors and Sponsored Principals must inform the Clearing House of any changes in relevant tax status or the information provided in any such form. Late provision of information may result in unnecessary tax withholdings, deductions, penalties or costs. The Clearing House shall not be liable to Clearing Members, Sponsors or Sponsored Principals for any such withholdings, deductions, penalties or costs, save as provided otherwise pursuant to the CDS Procedures in relation to CDS Contracts. Where necessary, the Clearing House’s custodian will make available a tax certificate or other details which may be required for tax purposes from time to time. Declarations relating to ‘beneficial ownership’ on IRS Form W-8BEN or IRS Form W-9 are based upon U.S. tax law concepts and do not affect the transfer of title, pledge or property rights provided for under Clearing Membership Agreements, Sponsor Agreements or Sponsored Principal Clearing Agreements, nor do they put ICE Clear on notice of any Encumbrance.

8. PERMITTED COVER: SECURITIES

8.1 The Clearing House will publish by Circular a list from time to time setting out all security classes acceptable as non-cash Permitted Cover, specifying any restrictions for such Permitted Cover applicable by way of class or status of Clearing Member or Sponsored Principal, account or Contract. Applicable ‘haircuts’ will also be published and amended by Circular. The amount of recognised Permitted Cover at the Clearing House attributable to a particular security is the market value of the relevant security multiplied by the applicable haircut. Within ECS, details of international security identification numbers (ISINs) for all acceptable Permitted Cover will be provided. New issues are automatically added to the list and can be selected for settlement and coverage. The Clearing House is entitled to remove securities from the list of accepted Permitted Cover or to vary haircuts at any time.

8.2 Clearing Members and Sponsored Principals may suggest to the Clearing House’s risk department that a new class or series of permitted cover be included within the list of acceptable Permitted Cover. [A request form to lodge new certificates of deposit is available on the member-only section of the Clearing House website.](#) New classes will only be added after approval by the risk department. A limited sub-set of the acceptable securities are accepted by the Clearing House in respect of required Guaranty Fund Contributions. The Clearing House will set out and amend the list of acceptable Permitted Cover by a Circular.

8.3 The Clearing House does not recognise any value for non-cash collateral as from the day falling one full Business Day prior to redemption or maturity for non-cash collateral other than UK government bonds and seven full Business Days prior to redemption or maturity for non-cash collateral consisting of UK government bonds. Clearing Members and Sponsored Principals must arrange for substitute Permitted Cover on or prior to such time. The Clearing House will use endeavours (but shall not be required) to contact Clearing Members and Sponsored Principals or their Sponsors who have securities nearing maturity in order to assist with the timely lodgement of alternative Permitted Cover.

8.4 Notwithstanding paragraph 8.1, a Clearing Member, Sponsor or Sponsored Principal may not use any financial instrument otherwise agreed by the Clearing House to be eligible as Permitted Cover where such financial instrument is issued by such Clearing Member, Sponsor or Sponsored Principal or one of its Affiliates except in the case of a covered bond and only where the assets backing that bond are appropriately segregated within a robust legal framework which the Clearing House determines to satisfy applicable requirements under Applicable Law.

9. **INTENTIONALLY OMITTED.**

10. **PERMITTED COVER: GOLD BULLION**

General

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

- (a) The term “**Gold Bullion**” shall have the same meaning as “London Good Delivery Bars” as set by London Bullion and Metals Association (“**LBMA**”).
- (b) “**AURUM**” means the electronic matching and settlement system operated by London Precious Metal Clearing Limited (“**LPMCL**”).
- (c) “**Market Rules**” means the rules, regulations, practices and customs of the LBMA, LPMCL, the Financial Conduct Authority, the Prudential Regulatory Authority, the Bank of England and such other regulatory authority or other body, relevant to the transfer and safekeeping of Gold Bullion.
- (d) “**Unallocated Account**” established at the custodian for the purpose of transferring Gold Bullion between the Clearing House and the Clearing Member. Gold Bullion in the Unallocated Account will be unidentifiable, and present the contractual obligations from the custodian to the Clearing House.
- (e) “**Allocated Account**” established at the custodian for the purpose of safekeeping Gold Bullion. Gold Bullion on the Allocated Account is physically held in the custodian’s vaults and identifiable by serial numbers.
- (f) “**Business Day**” means a day (excluding Saturdays, Sundays and public holidays) on which AURUM, the settlement system operated by LPMCL, is open for the transfer of Gold Bullion.

10.2 Clearing Members may use Gold Bullion to satisfy Original Margin, Initial Margin and FX Original Margin requirements (unless agreed otherwise by the Clearing House at its discretion). The Clearing House has set a Collateral limit of the lower of 250 million US Dollar or 30% of total Initial Margin or FX Original Margin requirement, per Clearing Member.

10.3 Gold Bullion to be used as Permitted Cover shall conform to the eligibility criteria described by the LBMA and transfers shall be in conformance with the Market Rules. Clearing Members will be liable to the Clearing House in the event that the Clearing House incurs any loss as a result of Gold Bullion being delivered to the Clearing House as Original Margin, Initial Margin or FX Original Margin which does not comply with these Procedures

10.4 The Clearing House limits its liabilities for loss or damage of all Gold Bullion ~~on deposit~~ that has been transferred to it. Prior to the first ~~deposit~~ transfer, the Clearing House must have received a signed copy

of the “Gold Supplement” to the Clearing Member Agreement or Sponsored Principal Clearing Agreement. A template of this agreement will be provided by the Clearing House.

- 10.5 ~~Deposits~~Transfers and withdrawals of Gold Bullion must be made in increments of 1 TroyOunce.
- 10.6 Gold Bullion received before 16:00 hours (London time) on a Business Day will be reflected in Permitted Cover on the same Business Day. Gold Bullion received after 16:00 hours (London time) will be treated as having been not received until the next Business Day.
- 10.7 Transfer of Gold Bullion to the Unallocated Account of the Clearing House, must be done in accordance with the provisions of the LBMA and LPMCL. The Clearing House is not responsible for, and/or shall have no liability whatsoever as a result of, the performance or non-performance of any settlement system or settlement party.
- 10.8 Management of the Gold Bullion as margin is only possible on Business Days as set by LPMCL. Additionally the Clearing House is not able to transfer assets on non-Clearing days or UK bank holidays in case they differ from the non-Business Days.
- 10.9 The Gold Bullion will be priced in accordance with the rules, policies and processes of ICE Benchmark Administration Limited, with price reports available at <https://www.theice.com/marketdata/reports/178>. The Gold Bullion will be quoted in US Dollars. The Clearing House retains the right to adjust the price if the Risk Department regards this as necessary.
- 10.10 Gold Bullion will be held in physical form in the vaults of our custodian JPMorgan Chase Bank NA.

Transfer procedure

- 10.11 Prior to transferring Gold Bullion the Clearing Member must provide details of the standard counterparty account and the contact details of the persons authorised to instruct on behalf of the Member. This information must be provided on the standard form provided by the Clearing House and signed by two Authorised Signatories. A template of this form will be provided by the Clearing House.
- 10.12 For every transfer of Gold Bullion, the Clearing Member must instruct the Clearing House using the standard form provided by the Clearing House. Any uninstructed ~~deposits~~transfers will not be accepted as Permitted Cover and the Clearing House shall try to return the assets as soon as possible. The Clearing House is not liable for any losses resulting from transfers which do not comply with these procedures.
- 10.13 A transfer must be made to the Unallocated Account of the Clearing House as notified to Clearing Members from time-to-time. The transfer has to be made via AURUM, the electronic matching and settlement system operated by LPMCL.
- 10.14 Transfer instructions to the Clearing House have to be received prior to the:

Instruction deadline 11:00 (London Time).

Instructions received after the deadline or instructions pending in anticipation of the provision of alternative margin after the deadline will be rejected by the Clearing House.
- 10.15 The Clearing House has established an Allocated Account for Gold Bullion received as Permitted Cover. The Clearing House shall manage the transfers between the Allocated Accounts and Unallocated Accounts.
- 10.16 The Clearing House has the right to reject instructions in the event that: (i) insufficient information has been supplied; (ii) counterparty accounts are not pre-advised on the list with allowed counterparties; (iii) when concentration limits are exceeded; and (iv) the transfer results in uncovered liabilities

towards the Clearing House; or, (v) for any other reason that places the Clearing House under additional risk.

- 10.17 The position in the Clearing House's collateral system ECS will be adjusted prior to the withdrawal or after confirmation of ~~deposit~~completion of the relevant transfer in the Clearing House's Unallocated Account by its custodian. The adjustment of the position will have immediate effect on the value of available collateral.

Expiry

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

11. SETTLEMENT PROCEDURES FOR NON-CASH COLLATERAL

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

11.1 Instruction Type

All transactions ~~to deposit or withdraw~~including each transfer to or withdrawal from the Clearing House will be executed free of payment.

11.2 Trade and Settlement Date

- (a) The Clearing House ~~presumes that all trade dates and contractual settlement dates are equal to the date of entry of an instruction in ECS, because all relevant settlement systems and depositories for Permitted Cover support same day settlement. Any deviation from this assumption must be notified to the Clearing House as it will result in a mismatch and non-settlement.~~accepts instructions with settlement date up to two business days from trade date. The proposed settlement date shall be specified by the Clearing Member in its instruction. If this is accepted by the Clearing House, the Clearing Member must deliver the securities on settlement date.
- (b) Settlements must take place during normal opening hours of the relevant settlement or depository system. The Clearing House will not give settlement instructions in extended settlement periods such as 'daylight' or 'Real Time Settlement' periods.

11.3 Custody and Sub-custody

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

11.4 Matching of Settlement Instructions

The Clearing House will support the matching mechanism of at least one major settlement system or depository for securities acceptable as Permitted Cover. ECS requires only the minimum necessary information required by such systems and depositories in order for matching of a counterparty's instruction. The Clearing House will notify Clearing Members of the relevant account details for matching. However, it is the responsibility of the Clearing

Finance Procedures

Member to ensure that instructions entered into ECS are correctly matched. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non- settlement or a delay in settlement as a result of the actions or omissions of a settlement system, a depository or the Clearing Member (save for any liability which by law may not be excluded).

~~The Clearing House will publish from time to time on its website applicable matching~~ Matching criteria per ~~settlement system or custodian or central securities~~ depository (and ICE settlement details) will be sent out by Circular. Settlement timing per settlement system or depository is set out below:

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

[Days from trade date](#)

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

11.5 Settlement cancellations and unsettled transactions

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

11.6 Settlement deadlines

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

11.7 Holidays affecting settlement systems

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

11.8 Status settlement transaction

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

12. INTENTIONALLY OMITTED.

13. RISK MANAGEMENT

13.1 Contacting Risk Management

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

14. GUARANTY FUND PARAMETERS AND RESTRICTIONS

14.1 F&O Guaranty Fund

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

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

14.2 CDS Guaranty Fund

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

- (a) CDS Guaranty Fund Contributions will be calculated and payable in EUR, except for Guaranty Fund Contributions relating to Open Contract Positions in Sovereign Contracts, which are calculated and payable in USD;
- (b) minimum CDS Guaranty Fund Contribution of EUR 15 million for CDS Contracts other than Sovereign Contracts;
- (c) minimum cash portion of CDS Guaranty Fund Contribution is 50% for each currency;
- (d) in addition to the above requirements, minimum of EUR 15 million in cash (such that any CDS Guaranty Fund Contribution of EUR 15 million must be provided entirely as cash) unless agreed otherwise by the Clearing House;
- (e) other Permitted Cover for CDS Guaranty Fund Contributions must be EUR denominated, except for Guaranty Fund Contribution in relation to Sovereign Contracts, which must be USD denominated;

- (f) the start and end dates of Guaranty Fund Periods will be communicated to CDS Clearing Members; and
- (g) the parameters for determining the CDS Guaranty Fund Contributions of CDS Clearing Members will be determined by the Clearing House in consultation with the CDS Risk Committee.

14.3 FX Guaranty Fund

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

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

15. CLEARING HOUSE CONTRIBUTIONS

15.1 Clearing House Initial Contributions

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

- (a) The Clearing House shall keep, and indicate separately in its balance sheet, an amount of dedicated own resources as the Clearing House Initial Contributions. No resources other than capital, including retained earnings and reserves as referred to in Article 16 of EMIR, shall qualify as Clearing House Initial Contributions.
- (b) The Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and the Clearing House FX Initial Contribution shall each be constituted by two parts: (i) a minimum contribution of own resources for purposes of article 35(2) of Commission Delegated Regulation No 153/2013 (as calculated under paragraphs 15.1(c)-(d)); and (ii) an additional voluntary contribution constituted by the remainder of the Clearing House Initial Contribution in question, as calculated in accordance with this paragraph 15.
- (c) The Clearing House shall calculate the minimum sum of Clearing House Initial Contributions by multiplying its minimum required capital (including retained earnings and reserves) to be maintained by it in accordance with article 16 of EMIR, by 25%.
- (d) The minimum sum calculated in accordance with paragraph 15.1(c) shall be allocated to the Clearing House CDS Initial Contribution, Clearing House F&O Initial Contribution and Clearing House FX Initial Contribution in proportion to the sizes of the CDS Guaranty Fund,