

3.20 Initial Margin; Additional Margin

3.20.1 Each Clearing Member shall deposit with or pay to the Clearing House Initial Margin for each cleared Nodal Contract in such amounts, in such forms, at such times and in accordance with such systems as may be prescribed by these Rules or by the Board. Initial Margin requirements shall be as determined by the Clearing House from time to time. Initial Margin requirements shall be calculated on a gross basis for each Customer, and Clearing Members are not permitted to net positions of different Customers against one another. Clearing Members shall collect Initial Margin from their Customers, for non-hedge positions, at a level that exceeds the Initial Margin amount determined by the Clearing House by such amount as the Clearing House shall specify from time to time. For Nodal Contracts that are options, the Clearing House will determine option value for each option and the net option value of each portfolio. For a settlement cycle, (i) if the net option value of the portfolio is positive, such amount may be used to satisfy initial margin requirements for the portfolio, (ii) if the net option value of a portfolio is negative, such amount will increase the initial margin requirements for the portfolio.

3.24 Deposit of Non-Cash Collateral as Initial Margin

[3.24.1 and 3.24.2 are unchanged]

3.24.3 A Clearing Member may substitute irrevocable letters of credit from its Customers for Customer cash it has on deposit with the Clearing House as Initial Margin, in accordance with Rule 3.23.1 and this Rule 3.24.3, provided, however, that the Clearing House may prescribe limitations regarding the use of irrevocable letters of credit to meet Initial Margin requirements.

(a) Irrevocable letters of credit must be in a form acceptable to the Clearing House.

(b) Irrevocable letters of credit must be drawable in the United States.

~~(c) — A Clearing Member that presents a demand for payment under an irrevocable letter of credit must cover any Initial Margin liabilities covered by the irrevocable letter of credit in advance of the demand for payment.~~

~~(d)~~(c) A Clearing Member shall not accept from a Customer irrevocable letters of credit that are issued by the Customer, an affiliate of the Customer, the Clearing Member, or an affiliate of the Clearing Member.