

## (II) FINANCE PROCEDURES

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**9Miscellaneous Amendments** May 2017

## 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. CAD, CHF and SEK 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. [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.
- 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. 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 a “haircut” 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 section 13.7 of these Finance Procedures.

## 3. TRIPARTY COLLATERAL

### General

- 3.1 Clearing Members may use Triparty Collateral to cover Original Margin, Initial Margin and FX Original Margin requirements for certain Accounts, as specified in Circulars concerning the use of Permitted Cover. This facility is available to Clearing Members at the discretion of the Clearing House. The facility is available, and this paragraph 3 applies equally, to Sponsored Principals in the same way as it applies to Clearing Members, save as expressly set out in paragraph 3.2, subject to Part 19 of the Rules. The Clearing House reserves the right to terminate this arrangement at any time. The service is provided in cooperation with the following Triparty Collateral Service Providers:
- Euroclear Bank
- Clearstream Banking.
- 3.2 These Finance Procedures should be read in conjunction with the Terms and Conditions and the Operational Procedures of the Triparty Collateral Service Providers. The legal basis underpinning the collateral consists of (i) the Collateral Service Agreement (or equivalent document) (CSA) of the Triparty Collateral Service Provider; (ii) the Clearing Membership Agreement (CMA, for Clearing Members) or Sponsored Principal Clearing Agreement (SPCA, for Sponsored Principals); and (iii) in respect of securities collateral which is transferred pursuant to a Pledged Collateral Addendum, such Pledged Collateral Addendum. The Collateral Giver (under the CSA) must be the same legal entity as the Clearing Member (under the CMA) or, in respect of an Individually Segregated Sponsored Account, the Disclosed Principal (under the SPCA).
- 3.3 The following definitions apply to these Triparty Collateral Procedures:
- (a) The term “Triparty Collateral Service Provider” or “Provider” means the institution offering the Triparty Collateral Service.
- (b) The term “Triparty Collateral Instruction” or “Instruction” means the instruction to deposit or withdraw sent to the Clearing House by the Clearing Member or the initiation,

- (vi) a Clearing Member which transfers non-cash Permitted Cover to the Clearing House which pays a coupon, interest or redemptions in USD, EUR, GBP, CAD, CHF or SEK must have an account in that currency; and.
  - (vii) an F&O Clearing Member that is a Financials & Softs Clearing Member and is party to Financials & Softs Contracts which settle in [AUD](#), CAD, CHF, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY or ZAR must have an account in each such currency.
- (b) for an F&O Clearing Member that is a Non-FCM/BD Clearing Member, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency used by it for each of its different Customer Accounts (other than Margin-flow Co-mingled Accounts, in respect of which a single Nominated Customer Bank Account shall be used), the relevant currencies being USD, GBP, EUR, [AUD](#), CAD, CHF, SEK, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY and ZAR, based on the same principles as set out in 4.1(a)(i) to (vii);
  - (c) for an F&O Clearing Member that is an FCM/BD Clearing Member and which has one or more Customer Accounts, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency for each of its Non-DCM/Swap Customer Accounts, Swap Customer Accounts, DCM Customer Accounts and General Customer Accounts, the relevant currencies being USD, GBP, EUR, [AUD](#), CAD, CHF, SEK, CZK, DKK, HUF, JPY, NOK, PLN, SEK, TRY and ZAR, based on the same principles as set out in 4.1(a)(i) to (vii) for each such Customer Account;
  - (d) for F&O Clearing Members, a Guaranty Fund account denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or a USD guaranty fund account for CDS);
  - (e) for CDS Clearing Members, a Guaranty Fund account, denominated in EUR for CDS (which may be the same account as a EUR Nominated Proprietary Bank Account);
  - (f) if a CDS Clearing Member is approved to become party to Sovereign Contracts, an additional Guaranty Fund account denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or the USD Guaranty Fund account for F&O Guaranty Fund Contributions or FX Guaranty Fund Contributions); and
  - (g) for FX Clearing Members, a Guaranty Fund account, denominated in USD (which may be the same account as a USD Nominated Proprietary Bank Account or the USD Guaranty Fund account for CDS Guaranty Fund Contributions or FX Guaranty Fund Contributions);
  - (h) if a Non-FCM/BD Clearing Member is a Sponsor in respect of an Individually Segregated Sponsored Account and is appointed by the Sponsored Principal and agrees to operate Nominated Bank Accounts for the Individually Segregated Sponsored Account, such further accounts as would be required of each such Sponsored Principal pursuant to paragraph 4.4.

4.2 If a Clearing Member is both an F&O Clearing Member and a CDS Clearing Member, that Clearing Member is treated for the purposes of the Clearing House's banking systems as if it were two Clearing Members. Such a Clearing Member may specify the same accounts for a particular account for both CDS and F&O or may use different accounts for the different product classes. Accordingly, it may have up to twelve Nominated Proprietary Bank Accounts, one for each currency for each of CDS and F&O. Where a Clearing Member requests more than one Proprietary Account or more than one Customer Account of the same Customer Account Category (other than Individually Segregated Sponsored Accounts, Margin-flow Co-mingled Accounts or by using "F" for an additional omnibus Customer Account), the Clearing Member will be set up on the Clearing

House's systems as if it were two Clearing Members and each account of the same Customer Account Category will use the same account code but with a different Clearing Member mnemonic. Any such additional Customer Account may be dedicated for purposes of indirect clearing of positions relating to the indirect clients of a Customer of the Clearing Member.

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