



TLD Clearing, Inc.
dba Backpack Exchange
2 Embarcadero Ctr. #08-133
San Francisco, CA 94111

Exhibit A-3 - TLD Clearing, Inc. – Description of Proposed Clearing Activities

1. Overview of the DCO's Role

TLD Clearing, Inc. ("TLD Clearing" or the "Applicant") seeks registration as a **Derivatives Clearing Organization (DCO)** under the Commodity Exchange Act and CFTC Part 39. The Applicant will act as a central counterparty for derivatives contracts listed on registered Designated Contract Markets ("DCMs") and cleared through the Applicant in accordance with CFTC rules.

TLD Clearing is part of a coordinated regulatory filing that also includes affiliated entities seeking registration as a DCM and a Futures Commission Merchant ("FCM"). While these entities are legally distinct and subject to separate regulatory obligations, the Applicant's clearing activities are designed to operate in close coordination with affiliated registrants under a unified governance, risk management, and operational framework. Each entity will perform its regulated functions independently and in compliance with applicable law.

2. Scope of Clearing Activities

Subject to registration and regulatory approvals, TLD Clearing intends to provide clearing and settlement services for a broad range of centrally cleared derivatives products, including:

- Traditional futures products
- Cryptocurrency derivatives, including futures and perpetual-style futures
- Fully collateralized swaps
- Event Contracts
- Equity-linked derivatives, including futures- or perpetual-style contracts

All products cleared by TLD Clearing will be listed on a registered DCM and cleared pursuant to the Applicant's rules, margin models, and default management procedures. The Applicant does **not** intend to clear bilateral, off-exchange, or uncleared derivatives in the United States.

The initial scope of cleared products at launch is expected to be limited and phased, with expansion occurring over time as permitted by regulatory approvals and operational capacity.



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3. Clearing Model

TLD Clearing will operate as a central counterparty, interposing itself between counterparties to cleared transactions and assuming the financial performance of each cleared contract, subject to the Applicant's margin, guaranty, and default management framework.

Key features of the clearing model include:

- Clearing and novation of trades matched on a DCM
- Collection of initial, maintenance, and variation margin from Clearing Members
- Application of risk-based margin methodologies calibrated to the risk characteristics of cleared products
- Calculation and publication of initial and maintenance margin requirements
- Daily mark-to-market and settlement processes
- Maintenance of financial resources sufficient to withstand the default of at least the largest clearing member under extreme but plausible market conditions
- Execution of default management procedures in accordance with the Applicant's rules

4. Intermediation, Margin, and Customer Risk Management

Customer margining, and customer risk management will be administered through registered FCMs, including an affiliated FCM, in coordination with TLD Clearing's risk management framework.

- TLD Clearing does not intend to rely on external or unaffiliated DCMs to extend margin to customers.
- Margin requirements, collateral eligibility, stress testing, and exposure limits will be determined by TLD Clearing pursuant to its DCO rules and risk management policies.
- Customer-facing margin relationships will be managed by FCMs, consistent with CFTC Part 1 requirements.

This structure ensures centralized and consistent risk management while preserving regulatory separation between clearing, execution, and customer-facing functions.



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5. Event Contract Clearing

TLD Clearing intends to clear event contracts that are listed on registered DCMs and approved by the CFTC. At this time:

- Event contracts will be fully margined.
- Event contracts cleared by TLD Clearing will be subject to the same margining, settlement, surveillance, and default management standards as other cleared derivatives products.
- The Applicant does **not** intend to clear off-DCM or uncleared event contracts in the United States.

The Applicant recognizes that event contracts products present novel considerations and intends to engage proactively with CFTC staff regarding product design, risk management, and public-interest considerations.

6. Operational Readiness and Start Date

TLD Clearing intends to commence clearing operations as soon as practicable following registration and completion of operational readiness activities, including system testing, onboarding of clearing members, and regulatory staff review.

The Applicant anticipates a phased launch, beginning with a limited set of cleared products and expanding over time as operational capacity, clearing membership, and regulatory approvals permit.

7. Coordination with Affiliated Registrants

Although TLD Clearing is filing in coordination with affiliated DCM and FCM applicants, it will operate as an independent DCO with:

- Separate governance and policies
- Independent risk management authority
- Segregated financial resources and accounts
- Clear delineation of responsibilities among affiliated entities



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The Applicant's clearing activities are designed to integrate efficiently with affiliated execution and customer-facing functions while maintaining compliance with all applicable regulatory requirements.

8. Regulatory Engagement

TLD Clearing intends to maintain an open and collaborative relationship with the CFTC and its staff throughout the registration process and post-registration. The Applicant acknowledges that certain products and operational features may require iterative review and is committed to adjusting scope, controls, and sequencing as necessary to align with regulatory expectations.

9. Summary

TLD Clearing proposes to operate as a registered DCO providing central clearing services for a broad range of regulated derivatives products listed on registered DCMs. Clearing activities will be conducted pursuant to robust risk management, margining, and default management frameworks, with customer credit and margin administered through registered FCMs. The Applicant intends to commence operations following registration and operational readiness, and to expand product scope in coordination with regulators over time.