

9. LETTERS OF CREDIT

9.1 General

(a) Clearing Members may use a letter of credit drawn in compliance with these Procedures and the Clearing Membership Agreement ("**Letter of Credit**") to satisfy Original Margin and Initial Margin, subject to a maximum of 50% of Original Margin and Initial Margin requirements (unless agreed otherwise by the Clearing House at its discretion). Clearing Members must contact the Clearing House's Treasury Department in advance in connection with the issuance of any Letter of Credit.

(b) A Letter of Credit is an undertaking by an Issuing Bank acceptable to the Clearing House to make a payment to the Clearing House within a specific time, upon the presentation of documents or the occurrence of certain events. The Letter of Credit is not expected to be drawn upon in absence of an Event of Default or other payment difficulty.

The Letter of Credit can be neither amended nor cancelled without the agreement of the Issuing Bank, the Clearing House and the Clearing Member. The form of any Letter of Credit must be approved by the Clearing House. However, Clearing Members are responsible for procuring that the terms of each Letter of Credit are consistent with these Procedures and the Rules. Clearing Members will be liable to the Clearing House for any loss to the Clearing House resulting from the terms of a Letter of Credit not complying with these Procedures.

(c) The Pass-Through Letter of Credit is issued by an Issuing Bank acceptable to the Clearing House at the instruction of a Clearing Member's client to make payment to the Clearing House within a specific time, upon the presentation of documents or the occurrence of certain events. The Letter of Credit will only be drawn upon on the occurrence of an Event of Default of the relevant client's Clearing Member. Further the form of Pass-Through Letter of Credit contains a facility whereby it can be transferred in whole to the client's Clearing Member, provided that the Clearing Member covers Margin liabilities covered by the Pass-Through Letter of Credit in advance with alternative Margin as appropriate. Therefore this form of Pass-Through Letter of Credit also provides the Clearing Member with collateral through the right of transfer.

(d) In case of recourse being made to a Letter of Credit, the Clearing House may request the Issuing Bank to deliver funds upon presentation by the Clearing House or its agent to the Issuing Bank of a written certificate or an electronic record stating that a certain amount has not been paid by the Clearing Member. The amount that the Issuing Bank is liable to pay will be capped at the maximum amount specified in the Letter of Credit.

9.2 Issuing Bank

The Clearing Member must advise the Clearing House of its intention to seek issuance of a Letter of Credit to meet relevant Margin obligations. The Clearing Member must provide details of the proposed maximum amount under the Letter of Credit and the legal name of the Issuing Bank. In order for it to be acceptable as Margin, the Clearing House must have given its prior consent to the identity of the Issuing Bank and the amount and other terms and conditions of the Letter of Credit.

General requirements of the Issuing Bank:

- a minimum credit rating of S&P A (or equivalent);
- located in the US or EU and the rating of the country of residence should have a minimum credit rating of S&P A (or equivalent);
- regulated by Central Bank of the domicile country of the Issuing Bank;
- availability of a Balance Sheet containing capital information which is less than 6 months old. Up to date Corporate Structure showing the entity issuing the guarantee and the relationship to the direct and ultimate parent company;
- no adverse signals from developments in market capital vs. book value, share price and CDS rating or from market information;
- no parental guarantees are accepted. The Issuing Bank may not be linked to the Clearing Member receiving the guarantee.

The Clearing House may restrict the guarantee amount if the request leads to an excessive credit exposure to the Issuing Bank. It is at the discretion of the Clearing House to accept or reject the Letter of Credit as Permitted Cover without any obligation to communicate the reason for its decision.

9.2 Issuing procedure

(a) The Clearing Member contacts the Clearing House's Treasury Department to advise the Clearing House of its intention to seek issuance of a Letter of Credit to meet relevant Margin obligations and provide the Clearing House with all necessary information using the Letter of Credit Request Form.

(b) The Clearing Member or the Clearing Member's client (not the Clearing House) must request the Issuing Bank to issue a Letter of Credit and coordinate the issue of any Letter of Credit.

(c) Upon the issuance of a Letter of Credit, the Issuing Bank will advise an agent appointed by the Clearing House, who will pass details of the Letter of Credit to the Clearing House. The Clearing House will check the details of the Letter of Credit. If the Letter of Credit is acceptable to the Clearing House then, once accepted, it will be reflected in the Clearing

Member's collateral reported through ECS. Letters of Credit received before 17:00 hours on a Business Day will be reflected in the collateral on the same Business Day. Letters of Credit received after 17:00 hours will not be treated as having been received until the next Business Day.

9.3 Terms of Letter of Credit

The Clearing House must procure that each Letter of Credit includes as a minimum the following terms and details:

Standard Letter of Credit

Term	Requirement
General terms	The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 (UCP 600) and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation (Version 1.1) ("eUCP").
Beneficiary	ICE Clear Europe Limited of 5th Floor, Milton Gate, 60 Chiswell Street, Moorgate, London EC1Y 4SA, United Kingdom
Beneficiaries Agent	JPMorgan Chase Bank N.A., Chaseside Bournemouth BH7 7DA, United Kingdom, BIC : CHASGB2L
Maximum amount	As agreed by the Clearing House
Currency	As agreed by the Clearing House
Documents required:	A signed statement from ICE Clear Europe Limited issued on its letterhead and signed by any of its officers, or an electronic record sent on behalf of ICE Clear Europe Limited by JP Morgan Chase Bank, N.A. (the Beneficiary Agent), certifying that an Event of Default (as defined in Part 9 of ICE Clear Europe Limited's rules) has been declared in respect of the Applicant.
Additional conditions	<p>In the case of the presentation of an electronic record, the Beneficiary (or the Beneficiary Agent) shall provide a notice to the Issuing Bank signifying when such presentation is complete as required under article e5(c) of the eUCP.</p> <p>The Issuing Bank shall have a maximum of one banking day following the day of presentation to determine if a presentation is complying and article 14(b) of the UCP 600 is modified accordingly.</p> <p>The Issuing Bank shall honour this Letter of Credit by payment one banking day following the day of presentation to or to the order of the Beneficiary to such account as notified by the Beneficiary (or the Beneficiary Agent) at the time of presentation of the required document.</p> <p>To the extent that there is any conflict between this Letter of</p>

	<p>Credit and the UCP 600 and/or the eUCP, this letter of credit shall prevail.</p> <p>This Letter of Credit and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The Issuing Bank hereby submits to the exclusive jurisdiction of the English courts.</p>
Costs of issuing and exercising the Letter of Credit	Charges paid by the Applicant

Pass-Through Letter of Credit

The Pass Through Letter of Credit consists of:

1. the Initial Letter of Credit;
2. the Form of Transfer including the Transferred Letter of Credit;
3. the Side Letter.

The Initial Letter of Credit and Form of Transfer must be presented as one in a SWIFT MT760 or MT799 message to the Beneficiary Agent. The Side Letter will be presented by the Clearing House to the Clearing Member upon receipt of the Letter of Credit.

Ad 1 Initial Letter of Credit

Term	Requirement
General terms	The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 (UCP 600) and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation (Version 1.1) ("eUCP")
Beneficiary	ICE Clear Europe Limited of 5th Floor, Milton Gate, 60 Chiswell Street, Moorgate, London EC1Y 4SA, United Kingdom
Beneficiaries Agent	JPMorgan Chase Bank N.A., Chaseside Bournemouth BH7 7DA, United Kingdom, BIC : CHASGB2L
Maximum amount	As agreed by the Clearing House
Currency	As agreed by the Clearing House
Documents required:	A signed statement from ICE Clear Europe Limited issued on its letterhead and signed by any of its officers, or, an electronic record sent on behalf of ICE Clear Europe Limited by JP Morgan Chase Bank, N.A. (the Beneficiary Agent), certifying that an Event of Default (as defined in Part 9 of ICE Clear Europe Limited's rules) has been declared in respect of [insert name of Clearing Member] (the Clearing Member).
Conditions	<p>This Letter of Credit will become effective at [time], London time, on [date] and will expire at [time], London time, on [date] at the Issuing Bank's counter.</p> <p>In the case of the presentation of an electronic record, the Beneficiary (or the Beneficiary Agent) shall provide a notice to the Issuing Bank signifying when such presentation is complete as required under Article e5(c) of the eUCP (as defined below).</p> <p>The Issuing Bank shall have a maximum of one banking day following the day of presentation to determine if a presentation is complying and Article 14(b) of the UCP 600 (as defined below) is modified accordingly.</p> <p>The Issuing Bank shall honour this Letter of Credit by payment</p>

	<p>one banking day following the day of presentation to or to the order of the Beneficiary to such account as notified by the Beneficiary (or the Beneficiary Agent) at the time of presentation of the required document.</p> <p>This Letter of Credit is transferable only to the Clearing Member and only for the full undrawn value. Any transfer shall be made in accordance with and on the terms set out in the form of transfer set out in the Schedule hereto. The Issuing Bank undertakes to issue in favour of the Clearing Member (and in the form set out in the schedule hereto) this Letter of Credit so transferred. The Beneficiary (or its Beneficiary Agent) is authorised to provide instructions to the Issuing Bank in respect of a transfer of this Letter of Credit pursuant to its terms.</p> <p>This Letter of Credit is subject to The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 (UCP 600) and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation (Version 1.1) (eUCP). To the extent that there is any conflict between this Letter of Credit and the UCP 600 and/or the eUCP, this Letter of Credit shall prevail.</p> <p>This Letter of Credit and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The Issuing Bank hereby submits to the exclusive jurisdiction of the English courts.</p>
Costs of issuing and exercising the Letter of Credit	Charges paid by the Applicant

Ad 2 Form of Transfer

Term	Requirement
Instructed by	ICE Clear Europe Limited of 5th Floor, Milton Gate, 60 Chiswell Street, Moorgate, London EC1Y 4SA, United Kingdom
Recipient	Issuing Bank
Beneficiaries Agent	JPMorgan Chase Bank N.A., Chaseside Bournemouth BH7 7DA, United Kingdom BIC : CHASGB2L
Reference	IRREVOCABLE STANDBY LETTER OF CREDIT NO. [●] FOR [XXX] USD (the Letter of Credit) [Issuing Bank's reference number]
Transfer request	<p>Pursuant to the terms of the Letter of Credit, ICE Clear Europe Limited, the Beneficiary of the Letter of Credit, hereby irrevocably transfers the full undrawn amount of the Letter of Credit to:</p> <p>Amount: [Insert amount of Letter of Credit to be transferred] [full undrawn amount]</p> <p>Name: [Insert name of Clearing Member] (the Transferee)</p> <p>Address: [Insert address]</p> <p>All charges incurred by the Issuing Bank in connection with such transfer will be paid by the Transferee.</p> <p>Please issue in favour of the Transferee a letter of credit in the</p>

	<p>form attached, reflecting such transfer.</p> <p>Form of Irrevocable Standby Letter of Credit to be issued to the Transferee:</p>
Transferred LC	
General terms	The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 (UCP 600) and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation (Version 1.1) ("eUCP")
Beneficiary	The Transferee as mentioned in the Form of Transfer (the Clearing Member)
Maximum amount	Whole undrawn amount of Original Letter of Credit
Currency	As Original Letter of Credit
Documents required:	A signed statement from [<i>insert name of Transferee</i>] issued on its letterhead and signed by any of its officers, or, an electronic record from [<i>insert name of Transferee</i>] certifying that an Event of Default has been declared in respect of [<i>insert name of applicant</i>] (Applicant).
Additional conditions	<p>This Letter of Credit will become effective as soon as reasonably practicable after instruction to transfer is given, being [time], London time, on [date], and will expire at [time, same as original LC], London time, on [date, same as original LC] at the Issuing Bank's counter.</p> <p>In the case of the presentation of an electronic record, the Beneficiary shall provide a notice to the Issuing Bank signifying when such presentation is complete as required under Article e5(c) of the eUCP.</p> <p>The Issuing Bank shall have a maximum of one banking day following the day of presentation to determine if a presentation is complying and Article 14(b) of the UCP 600 is modified accordingly.</p> <p>The Issuing Bank shall honour this Letter of Credit by payment one banking day following the day of presentation to or to the order of the beneficiary to such account as notified by the Beneficiary at the time of presentation of the required document.</p> <p>This Letter of Credit is subject to The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No. 600 (UCP 600) and the Supplement to the Uniform Customs and Practice for Documentary Credits for Electronic Presentation (Version 1.1) (eUCP). To the extent that there is any conflict between this letter of credit and the UCP 600 and/or the eUCP, this Letter of Credit shall prevail.</p> <p>This Letter of Credit and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The Issuing Bank</p>

	hereby submits to the exclusive jurisdiction of the English courts.
Costs of issuing and exercising the Letter of Credit	Charges paid by the Applicant

Ad 3 Side Letter

Term	Requirement
Issues by	ICE Clear Europe Limited of 5th Floor, Milton Gate, 60 Chiswell Street, Moorgate, London EC1Y 4SA, United Kingdom
Beneficiary	The Clearing Member
Reference	Irrevocable Standby Letter of Credit for [Curr] [Amount], Your Client: [name and address Applicant], Reference number: [Issuing Bank's reference number] (the " Letter of Credit ")
Conditions	<p>We refer to your proposal to deliver to us a letter of credit issued by [Issuing Bank] (the "Issuing Bank") on the application of customers [name of client] (the "Customer").</p> <p>In addition to any other provisions which apply now or in the future in connection with our receiving Letters of Credit in connection with the delivery by Clearing Members of margin and in consideration of you procuring the issuance and delivery of such letter of credit, we irrevocably confirm and undertake the following:</p> <ol style="list-style-type: none"> 1. Provided that you are not a Defaulter under the Rules: <ol style="list-style-type: none"> (a) we will, subject to our obligations of confidentiality and unless prohibited by Applicable Law, notify you as soon as reasonably practicable of any communication we receive in relation to the letter of credit from the Issuing Bank; and (b) subject to the paragraph below, where we have notified you of a request from the Issuing Bank for a reduction in the amount or tenor or a termination of the letter of credit, we will accept or reject the requested reduction in accordance with your written instructions so long as those instructions are received by us not later than close of business in London on the Business Day immediately following our notification to you. <p>We are not obliged to take account of any instruction from you to accept a reduction in the amount or tenor or termination of the letter of credit unless all amounts due and payable by you (including amounts of margin that would be payable by you as a consequence of such a reduction or termination and including all amounts payable in respect of all your accounts (including your proprietary and customer accounts)) have been duly paid.</p> 2. If you deliver a notice in writing to us to transfer the Letter of Credit to you, we will, provided that (a) you are not a Defaulter under the Rules, (b) all amounts due and payable by you (including amounts of margin payable by you as a consequence of such a transfer and including all amounts payable in respect of all your accounts (including your proprietary and customer accounts)) have been duly paid, execute and deliver, as soon as reasonably practicable, to the Issuing Bank a transfer notice in the form attached to the letter of credit for the transfer to you. The notice to transfer may only be for the full undrawn value of the Letter of Credit.

	<p>We shall be entitled to deal with the Letter of Credit and with the Issuing Bank entirely at our sole discretion, subject only to our obligations to you expressly set out in this letter.</p> <p>Notices to be delivered pursuant to this letter shall be delivered in accordance with Rule 113 of the Rules.</p> <p>Defined terms used in this letter which are not otherwise defined herein will have the meaning given to those terms in the Rules. For this purpose, "Rules" means the ICE Clear Europe's Clearing Rules, together with the Procedures, and as interpreted in accordance with the Guidance and the Circulars, each as amended, restated, supplemented or varied from time to time.</p> <p>Please confirm your agreement to the above by countersigning and returning to us a copy of this letter.</p> <p>This letter is governed by and shall be construed in accordance with English law. Changes and amendments to this letter shall be made in writing by the parties hereto. No person who is not a party to this letter will have any rights pursuant to the Contract (Rights of Third Parties) Act 1999.</p>
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9.4 Amendments to Letter of Credit

- (a) All proposed amendments to Letters of Credit must be communicated to the Clearing House in advance of becoming effective and must be agreed to by the Clearing House. Variations to a Letter of Credit may only be made in accordance with the Clearing Membership Agreement, i.e. pursuant to the substitution of a new Letter of Credit approved in the same manner as above or by the agreement between the Issuing Bank, Clearing Member and the Clearing House of a variation to the maximum amount covered by the Letter of Credit.
- (b) Upon the issuance of a Letter of Credit, the Issuing Bank will advise an agent appointed by the Clearing House, who will pass details of the Letter of Credit to the Clearing House. Letters of Credit received before 17:00 hours on a Business Day will be reflected in the collateral on the same Business Day. Letters of Credit received after 17:00 hours will not be treated as having been received until the next Business Day.
- (c) This section is without prejudice to the Clearing House's rights and discretions to cease to recognise any revoked or varied Letter of Credit and require a cash payment or other type of Margin from a Clearing Member in the event of a shortfall of Margin obligations or other liability of the Clearing Member arising.

9.5 Expiry and renewal

Clearing Members must notify the Clearing House within three Business Days in writing of any expiry or renewal of a Letter of Credit, including details of its proposals to replace or renew the Letter of Credit. Failure to make such notification two Business Days prior to expiry will result in amounts referable to the Letter of Credit no longer being recognised as Margin.