# ICE Clear Europe[sm]

# Clearing Rules

**9 March 2021**

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## Part 1 General Provisions

### Rule 101 *Definitions*

The term "**2003 Credit Derivatives Definitions**" means the document titled "2003 ISDA Credit Derivatives Definitions" dated 2003 published by ISDA as supplemented by (a) the 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 Credit Derivatives Definitions (published by ISDA on 14 July 2009) and the Credit Derivatives Determinations Committees Rules (published by ISDA and as amended from time to time) and (b) the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions (published by ISDA on 7 March 2005), all including as supplemented or modified by incorporation of any additional provisions thereto (howsoever described) under, and as amended by, the Contract Terms for any relevant CDS Contract from time to time.

The term "**2014 Credit Derivatives Definitions**" means the document titled "2014 ISDA Credit Derivatives Definitions" published by ISDA on 21 February 2014 including as supplemented or modified by incorporation of any additional provisions thereto (howsoever described) under, and as amended by, the Contract Terms for any relevant CDS Contract from time to time.

The term "**2003-type CDS Contract**" means a CDS Contract incorporating the 2003 Credit Derivatives Definitions.

The term "**2014-type CDS Contract**" means a CDS Contract incorporating the 2014 Credit Derivatives Definitions.

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

The term "**Account**" means a Customer Account of a particular Contract Category, a Proprietary Account or an Individually Segregated Sponsored Account.

The term "**Accounting Standards**" means applicable accounting standards and principles.

The term "**Affected Customer**" means a Customer in respect of whom Applicable Laws in the Customer's jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit a Customer Account providing individual client segregation, a Customer Account providing omnibus client segregation (in each case, in the manner set out in Articles 39 and 48 of EMIR), a Customer Account that is 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 or a Customer Account that is a segregated account for the exclusive purpose of holding the assets and positions of the indirect clients of each client of the clearing member that are managed by the clearing member (in each case, in the manner set forth under EMIR and MiFID II) being provided to the Customer.

The term "**Affected FM Party**" means a Person prevented, hindered or delayed by a Force Majeure Event.

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 or any consent entered into by the Clearing House for the benefit of one or more 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 "**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 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 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 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 "**CDS Guaranty Fund**" means the guaranty fund established and maintained pursuant to Part 11 relating to the Clearing of CDS Contracts.

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

The term "**CDS Standard Terms**" means the form of Customer-CM CDS 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 CDS

Clearing Member and each of its Customers in relation to CDS Clearing, as amended from time to time in accordance with the CDS Standard Terms.

The term "**CDS Sub-Account**" means, in relation to a CDS Clearing Member or Sponsored Principal, each account at the Clearing House with a unique identification number used by that CDS Clearing Member or Sponsored Principal in accordance with an election under Rule 406(d) for the recording of details of CDS Contracts with the Clearing House, which account is linked to an identification code at Deriv/SERV for the recording of details of trades relating to such CDS Contracts and which account is further linked to one of the CDS Clearing Member's Proprietary Accounts or one of its Customer Accounts or the relevant Individually Segregated Sponsored Account, as a sub-account of the relevant Proprietary Position Account, Customer Position Account or Position Account linked to its Individually Segregated Sponsored Account (as applicable).

The term "**CDS Trade Execution/Processing Platform**" means an Exchange that has satisfied the Clearing House's requirements to be authorised to submit CDS Trade Particulars and receive Acceptance Notices on behalf of one or more CDS Clearing Members or Sponsored Principals for Clearing, including having entered into an agreement with the Clearing House to act as an "**Approved CDS Trade Execution/Processing Platform**" in relation to such submissions and receipts and, in relation to any CDS Clearing Member or Sponsored Principal on whose behalf (and, as the case may be, for whose Affiliate) it submits CDS Trade Particulars, has obtained that CDS Clearing Member's or Sponsored Principal's authorisation in writing to submit CDS Trade Particulars for Clearing and receive Acceptance Notices and accordingly, such a CDS Trade Execution/Processing Platform will be a Representative of such CDS Clearing Member or Sponsored Principal for such purposes until the expiry of not less than one Business Day's written notice to the Clearing House given by such CDS Clearing Member or Sponsored Principal that such CDS Trade Execution/Processing Platform is no longer, or is not, authorised to act as its Representative. Where an Affiliate of a CDS Clearing Member or Sponsored Principal may submit or confirm CDS Trade Particulars for the account of that CDS Clearing Member or Sponsored Principal as referred to in the CDS Procedures, any person which, as a CDS Trade Execution/Processing Platform, is a Representative of such CDS Clearing Member or Sponsored Principal shall be deemed to be, additionally, a Representative of such Affiliate for these purposes.

The term "**CDS Trade Particulars**" means trade particulars submitted to the Clearing House by one or more Clearing Members, Sponsors or Sponsored Principals (including by any Representative, including via a CDS Trade Execution/Processing Platform), which particulars, if accepted by the Clearing House, will give rise to a CDS Contract or CDS Contracts (and, in the case of particulars of a CDS submitted by or for a Non-FCM/BD Clearing Member for one of its Customer Accounts, a Customer-CM CDS Transaction). For the avoidance of doubt, CDS Trade Particulars may or may not reflect a binding Bilateral CDS Transaction between two CDS Clearing Members or Sponsored Principals or any binding transaction between a CDS Clearing Member and its Customer.

The term "**CEA**" means the U.S. Commodity Exchange Act.

The term "**CFTC**" means the Commodity Futures Trading Commission of the United States of America, or any successor thereto.

The term "**Chairman**" means the chairman of the Board from time to time.

The term "**CHF**" means the Swiss franc, or any other lawful currency that is a successor to it.

The term "**Circular**" means a publication issued by the Clearing House for the attention of all Clearing Members and posted on the Clearing House's website in accordance with Rule 109(g).

The term "**Clearing**" means the central counterparty and, where relevant, related risk, Open Contract Position, Margin, settlement, delivery, administrative, acceptance, transaction data, settlement price establishment and other functions of the Clearing House pursuant to these Rules.

The term "**Clearing House**" means ICE Clear Europe Limited, a company registered in England & Wales with registered number 06219884.

The term "**Clearing House Account**" means an account of the Clearing House at an Approved Financial Institution.

The term "**Clearing House CDS Contributions**" means the Clearing House CDS GF Contribution and the Clearing House CDS Initial Contribution.

The term "**Clearing House CDS GF Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(c)(iv)(B) or Rule 908(g)(iv)(C) and as maintained pursuant to Rule 1103(f) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing House CDS Initial Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(c)(ii) or Rule 908(g)(ii)(B) and as maintained pursuant to Rule 1103(f) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing House Contributions**" means the Clearing House F&O Contributions, the Clearing House CDS Contributions and the Clearing House FX Contributions.

The term "**Clearing House F&O Contributions**" means the Clearing House F&O GF Contribution and the Clearing House F&O Initial Contribution.

The term "**Clearing House F&O GF Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(b)(iv)(B) or Rule 908(g)(iv)(B) and as maintained pursuant to Rule 1103(f) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing House F&O GF (Energy) Contribution**" means that portion of the Clearing House F&O GF Contribution as is allocated by the Clearing House as applying primarily to Energy Contracts and residually to Financials & Softs Contracts.

The term "**Clearing House F&O GF (Financials & Softs) Contribution**" means that portion of the Clearing House F&O GF Contribution as is allocated by the Clearing House as applying primarily to Financials & Softs Contracts and residually to Energy Contracts.

The term "**Clearing House F&O Initial Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(b)(ii) or Rule 908(g)(ii)(A) and as maintained pursuant to Rule 1103(f) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing House F&O Initial (Energy) Contribution**" means that portion of the Clearing House F&O Initial Contribution as is allocated by the Clearing House as applying primarily to Energy Contracts and residually to Financials & Softs Contracts.

The term "**Clearing House F&O Initial (Financials & Softs) Contribution**" means that portion of the Clearing House F&O Initial Contribution as is allocated by the Clearing House as applying primarily to Financials & Softs Contracts and residually to Energy Contracts.

The term "**Clearing House FX Contributions**" means the Clearing House FX GF Contribution and the Clearing House FX Initial Contribution.

The term "**Clearing House FX GF Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(d)(iv)(B) or Rule 908(g)(iv)(D) and as maintained pursuant to Rule 1103(f) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing House FX Initial Contribution**" means amounts allocated by the Clearing House as being available to be applied following an Event of Default in accordance with Rule 908(d)(ii) or Rule 908(g)(ii)(C) and as maintained pursuant to Rule 1103(e) including, where the context so requires, any proceeds of realisation of the same.

The term "**Clearing Member**" means a Person which has entered into a Clearing Membership Agreement with the Clearing House and which has been admitted as a clearing member pursuant to Part 2 of these Rules.

The term "**Clearing Member-Required Additional Margin**" has the meaning set out in the relevant Standard Terms.

The term "**Clearing Membership Agreement**" means an agreement between the Clearing House and a Clearing Member under which, *inter alia*, the Clearing House agrees to provide Clearing in respect of Contracts to that Clearing Member and that Clearing Member agrees to be bound by and subject to these Rules. Without prejudice to the generality of Rule 102(b) or to the effectiveness of any other agreement between a Clearing House and a Clearing Member, for the avoidance of doubt, for Clearing Members that have executed a Pledged Collateral Addendum, the relevant Clearing Membership Agreement will be interpreted as amended by that Pledged Collateral Addendum.

The term "**Clearing Organisation**" means any clearing house duly authorised, regulated, recognised or licensed under Applicable Laws in any jurisdiction, including any recognised clearing house, recognised overseas clearing house, derivatives clearing organisation or similar entity.

The term "**Clearing Processing System**" means the clearing processing system for Energy Contracts, the universal clearing platform for Financials & Softs Contracts and other clearing processing systems and platforms used by the Clearing House for F&O Contracts.

The term "**CLS Bank**" means CLS Bank International.

The term "**Collateral Offset Obligations**" means obligations of a Clearing Member arising pursuant to Rule 919 to pay the Clearing House, which offset obligations of the Clearing House to pay the Clearing Member or return assets in respect of Permitted Cover transferred or pledged to the Clearing House by the Clearing Member.

The term "**Component Transaction**" has the meaning set out in Part 15.

The term "**Concentration Bank**" means an Approved Financial Institution at which the Clearing House has an account or accounts for the purpose of making transfers between Clearing House Accounts.

The term "**Contract**" means a contract between the Clearing House and a Clearing Member (or Sponsored Principal) arising in accordance with these Rules, and as amended, subject to netting or aggregation in accordance with these Rules, the terms and conditions of which are the relevant Contract Terms.

The term "**Contract Category**" means any of the three categories of Contract cleared by the Clearing House which are linked to a specific Guaranty Fund, i.e. F&O Contracts, CDS Contracts and FX Contracts.

For the definition of the term "**Contract Position**", see 'Open Contract Position' below.

The term "**Contract Terms**" means all the terms and conditions of a Contract, as applicable, in: (i) the general conditions set out in the Contract Terms Procedures; (ii) (in relation to F&O Contracts only) the relevant Market Rules; (iii) (except in relation to F&O Contracts which are settled only in cash) if such F&O Contract becomes deliverable or is a Contract of Sale, the relevant Delivery Procedures for the class of F&O Contract, the specified terms set out in the Contract Terms Procedures, as applicable; and (iv) for CDS Contracts, the terms specified pursuant to Rule 1502; and (v) for FX Contracts, the general conditions set out in the Rules and Procedures.

The term "**Control**" means the rights and powers exercised over a Person by a Controller and its cognate terms shall be construed accordingly.

The term "**Controller**" has the meaning given to that term in section 422 of the FSMA.

The term "**Controller Guarantee**" means a guarantee given by a Controller of a Clearing Member under Rule 201(a)(viii).

The term "**Credit Support Document**" means any guarantee or letter of credit or other security interest issued or granted to or for the benefit of the Clearing House that guarantees, covers or secures the Clearing Member's or a Sponsored Principal's obligations under any Contract, but excluding any Pledged Collateral Addendum.

The term "**Credit Support Provider**" means, in respect of a Clearing Member or Sponsored Principal, each provider of a Credit Support Document in relation to that Clearing Member.

The term "**Custodian**" means any bank, custodian, sub-custodian, registry, nominee, agent, depository or settlement system.

The term "**Customer**" means a Person who is a client or customer of a Clearing Member (which Customer may, subject to Applicable Law, be acting for one or more other clients or customers for purposes of the clearing of Contracts). In respect of a Sponsor, the term includes each of its Sponsored Principals.

The term "**Customer Account**" means any one customer account at the Clearing House of the various different Customer Account Categories and comprises in the case of each Customer Account the related Customer Position Account and Customer Margin Account.

The term "**Customer Account Category**" means:

(i) in relation to an FCM/BD Clearing Member, any of the following categories of Customer Account of such FCM/BD Clearing Member:

(A) each different DCM Customer Account;

(B) each different Non-DCM/Swap Customer Account;

(C) each different Swap Customer Account;

(D) each different General Customer Account; and

(E) each different SBS Customer Account; and

(ii) in relation to a Non-FCM/BD Clearing Member, any of the following categories of Customer Account of such Non-FCM/BD Clearing Member:

(A) each different Segregated Customer Omnibus Account For F&O;

(B) each different Segregated TTFCA Customer Omnibus Account For F&O;

(C) each different Segregated Customer Omnibus Account For CDS;

(D) each different Segregated TTFCA Customer Omnibus Account For CDS;

(E) each different Segregated Customer Omnibus Account For FX;

(F) each different Segregated TTFCA Customer Omnibus Account For FX;

(G) each different Individually Segregated Margin-flow Co-mingled Account;

(H) each different Omnibus Margin-flow Co-mingled Account;

(I) each different Individually Segregated Sponsored Account each of which is a Customer Account of the Sponsor opened at the Clearing House in the name of the Sponsored Principal;

(J) each different Standard Omnibus Indirect Account For F&O;

(K) each different Standard TTFCA Omnibus Indirect Account For F&O;

(L) each different Standard Omnibus Indirect Account For CDS;

(M) each different Standard TTFCA Omnibus Indirect Account For CDS;

(N) each different Standard Omnibus Indirect Account For FX;

(O) each different Standard TTFCA Omnibus Indirect Account For FX; and

(P) each different Segregated Gross Indirect Account.

The term "**Customer Account Contract**" means a Contract recorded in a Customer Position Account.

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

The term "**Customer-Clearing Member Agreement**" has the meaning set out in the relevant Standard Terms.

The term "**Customer-CM Transaction**" means a Customer-CM CDS Transaction, Customer-CM F&O Transaction or Customer-CM FX Transaction.

The term "**Customer-CM CDS Transaction**" means a CDS transaction between a Non-FCM/BD Clearing Member and a Customer (or a Sponsor and Sponsored Principal) on economic terms similar to those of a corresponding CDS Contract recorded in one of a Clearing Member's Segregated Customer Omnibus Accounts For CDS, Segregated TTFCA Customer Omnibus Accounts For CDS, Margin-flow Co-mingled Accounts, Standard Omnibus Indirect Accounts For CDS, Standard TTFCA Omnibus Indirect Accounts For CDS or Segregated Gross Indirect Accounts (except, where applicable, the position of the CDS Clearing Member as protection buyer or protection seller and otherwise due to being governed by the CDS Standard Terms) or an Individually Segregated Sponsored Account (except as modified pursuant to Part 19 and, where applicable, the position of the Sponsor as protection buyer or protection seller and otherwise due to being governed by the CDS Standard Terms).

The term "**Customer-CM F&O Transaction**" means an F&O transaction between a Non-FCM/BD Clearing Member and a Customer (or a Sponsor and Sponsored Principal) on economic terms similar to those of a corresponding F&O Contract recorded in one of a Clearing Member's Segregated Customer Omnibus Accounts For F&O, Segregated TTFCA Customer Omnibus Accounts For F&O, Margin-flow Co-mingled Accounts, Standard Omnibus Indirect Accounts For F&O, Standard TTFCA Omnibus Indirect Accounts For F&O or Segregated Gross

Indirect Accounts (except, where applicable, the position of the F&O Clearing Member as Buying Counterparty or Selling Counterparty and otherwise due to being governed by the F&O Standard Terms) or an Individually Segregated Sponsored Account (except as modified pursuant to Part 19 and, where applicable, the position of the Sponsor as Buying Counterparty or Selling Counterparty and otherwise due to being governed by the F&O Standard Terms).

The term "**Customer-CM FX Transaction**" means an FX transaction between a Non-FCM/BD Clearing Member and a Customer (or a Sponsor and Sponsored Principal) on economic terms similar to those of a corresponding FX Contract recorded in one of a Clearing Member's Segregated Customer Omnibus Accounts For FX, Segregated TTFCA Customer Omnibus Accounts For FX, Margin-flow Co-mingled Accounts, Standard Omnibus Indirect Accounts For FX, Standard TTFCA Omnibus Indirect Accounts For FX or Segregated Gross Indirect Accounts (except, where applicable, the position of the CDS Clearing Member as Reference Currency Buyer or Reference Currency Seller and otherwise due to being governed by the FX Standard Terms) or an Individually Segregated Sponsored Account (except as modified pursuant to Part 19 and, where applicable, the position of the Sponsor as Reference Currency Buyer or Reference Currency Seller and otherwise due to being governed by the FX Standard Terms).

The term "**Customer-CM Collateral**" means collateral provided by a Customer to a Clearing Member as collateral for the Customer's obligations (or, where applicable, other obligations) to the Clearing Member under Customer-CM Transactions.

The "**Customer Margin Account**" forms part of a Customer Account and the term means an account with the Clearing House opened in the name of a Clearing Member for the recording of debits and credits of Margin in respect of Customer Account Contracts recorded in the related Customer Position Account, which may be divided for administrative convenience only into sub-accounts relating to different Customers or groups of Customers. In respect of an Individually Segregated Sponsored Account, the term includes a similar account of a Sponsored Principal which is linked to the relevant Individually Segregated Sponsored Account.

The "**Customer Position Account**" forms part of a Customer Account and the term means an account (if any) with the Clearing House opened in the name of a Clearing Member relating to Contracts to which the Clearing Member is a party as a result of it acting for one or more Segregated Customers and in which the Clearing House records such Contracts, which may be divided for administrative convenience only into sub-accounts (including, for the avoidance of doubt, CDS Sub-Accounts) relating to different Customers or groups of Customers. In respect of an Individually Segregated Sponsored Account, the term includes a similar position account of a Sponsored Principal which is linked to the relevant Individually Segregated Sponsored Account.

The term "**DCM Customer**" means any FCM/BD Customer with respect to any Contract arising as a result of a Transaction in U.S. Futures. A Person may be a DCM Customer in relation to certain Contracts and another category of FCM/BD Customer in relation to other Contracts.

The term "**DCM Customer Account**", in respect of an FCM/BD Clearing Member, means a kind of Customer Account with the Clearing House (in its capacity as a registered U.S. derivatives clearing organization clearing Contracts that are U.S. Futures), the books and records of which are located in the United States of America, opened in the name of the FCM/BD Clearing Member

(acting in its capacity as a clearing member in relation to transactions connected with the provision of services to DCM Customers where segregation of related collateral is required in accordance with Section 4d(a) of the CEA insofar as applicable, and any applicable rules of the CFTC as promulgated thereunder and entering into market contracts in the capacity of a clearing member in relation to transactions connected with the provision of services to DCM Customers) relating to Contracts to which the FCM/BD Clearing Member is a party as a result of it acting for one or more DCM Customers (whose transactions the FCM/BD Clearing Member requests be recorded in the DCM Customer Account where the same is required in accordance with the segregation provisions of Section 4d(a) of the CEA insofar as applicable, and any applicable rules of the CFTC as promulgated thereunder) and in which the Clearing House records such Contracts and to which monies in respect of such Contracts are debited and credited, which may be divided for administrative convenience only into sub-accounts relating to different DCM Customers or groups of DCM Customers.

The term "**Default Amount**" means any of the F&O Default Amount, the CDS Default Amount or the FX Default Amount, as the context requires, and "**Default Amounts**" means any two of the foregoing or all of them, as the context requires.

The term "**Default Auction**" means an auction which takes place in accordance with any of the Default Auction Procedures.

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 Clearing House an acceptable Controller Guarantee, which Controller Guarantee remains valid and in effect.

The term "**Director**" means a director of the Clearing House.

The term "**Disciplinary Panel**" means a disciplinary panel established pursuant to Rule 1003.

The term "**Disclosed Principal Member**" means, where a Clearing Member acts as agent for a disclosed principal in respect of its Energy Contract clearing business and such principal has been admitted by the Clearing House as a Disclosed Principal Member, that principal.

The term "**Dispute**" means any dispute, difference, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation, or otherwise) arising out of, in relation to, or in connection with these Rules or any Contract, including any dispute as to the existence, construction, validity, interpretation, enforceability, termination or breach of these Rules or any Contract.

The term "**EFPs**" means an 'exchange for physicals' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**EFSs**" means an 'exchange for swaps' transaction under applicable Market Rules or 'exchange for related position' transaction under applicable Market Rules or any similar transaction under any Market Rules.

The term "**Eligible Currencies**" means USD, EUR, GBP, CAD, CHF, SEK and such other currencies as are specified as eligible in the Finance Procedures or otherwise by the Clearing House from time to time.

The term "**Emission Allowance**" has the same meaning as that given to the term in MiFID II.

The term "**Emissions Registry**" means a 'registry' (within the meaning of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC or otherwise) that has been approved by the Clearing House for purposes of deliveries of Emission Allowances under F&O Contracts.

The term "**EMIR**" (European Market Infrastructure Regulation) means Regulation (EU) No, 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and includes all delegated or implementing regulations, decisions and technical standards thereunder as interpreted in accordance with any applicable guidance publicly issued by ESMA or any Regulatory Authority.

The term "**Encumbrance**" means any claim, charge, mortgage, security, lien, equity, beneficial interest, power of sale, option or other right to purchase, usufruct, hypothecation, retention of title, right of pre-emption or other third party right or security interest of any kind or an agreement to create any of the foregoing.

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, 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).

The term "**F&O"** means futures and options and refers to the Clearing of Energy or Financials & Softs products or both.

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

The term "**F&O Assessment Contribution**" has the meaning set out in Rule 909(b).

The term "**F&O Block Contract**" means an F&O Contract(s) resulting from an F&O Block Transaction.

The term "**F&O Block Transaction**" means a Financials & Softs Block Transaction or Energy Block Transaction.

The term "**F&O Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to Energy Contracts or Financials & Softs Contracts or both.

The term "**F&O Contract**" means an Energy Contract and/or a Financials & Softs Contract.

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

The term "**F&O Guaranty Fund**" means the guaranty fund established and maintained pursuant to Part 11 relating only to F&O Contracts.

The term "**F&O Guaranty Fund Contribution**" means a Guaranty Fund Contribution relating to the F&O Guaranty Fund.

The term "**F&O Matched Contract**" means an F&O Contract(s) resulting from an F&O Matched Transaction.

The term "**F&O Matched Transaction**" means an F&O Transaction that occurs or occurred on a Market in accordance with the relevant Market's rules.

The term "**F&O Standard Terms**" means the form of Customer-CM F&O Transactions 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 F&O Clearing, as amended from time to time in accordance with the F&O Standard Terms.

The term "**F&O Transaction**" means an Energy Transaction or a Financials & Softs Transaction.

The term "**Failure To Pay**" means, in respect of a particular Contract Category, the failure of the Clearing House to make any payment when due (including the return of assets equivalent to any Pledged Collateral) pursuant to Part 3 of the Rules if such failure is not remedied on or before:

(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 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 be in the best interests of the Clearing House or the marketplace for such Clearing Member to continue to be a Clearing Member.

The term "**Financial Indebtedness**" means any indebtedness for or in respect of: (a) monies borrowed; (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent; (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with applicable accounting standards, be treated as a finance or capital lease; (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in (a) to (g) above.

The term "**Financially-Settled FX Contract**" means an FX Contract which provides for cash settlement in a single predetermined currency on the relevant FX Settlement Date based on the difference between the values on the FX Settlement Date of: (i) the purchase of an agreed amount in one currency by the Reference Currency Buyer from the Reference Currency Seller; and (ii) the purchase by the Reference Currency Seller of an agreed amount in a different currency from the Reference Currency Buyer. Each leg of an FX Swap may form the basis of FX Trade Particulars which, if eligible for Clearing and Cleared, would give rise to two Financially-Settled FX Contracts.

The term "**Financials & Softs**" is used to refer to the Clearing of Financials & Softs Contracts on ICE Futures Europe.

The term "**Financials & Softs Block Contract**" means a Contract resulting from a Financials & Softs Block Transaction.

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

The term "**Financials & Softs Block Transaction**" means an EFS, EFP, Soft Commodity EFRPs, Basis Trade, Financials & Softs Block Trade Facility transaction or BClear transaction in respect of Financials & Softs reported through a Market in accordance with the relevant Market Rules.

The term "**Financials & Softs Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to Financials & Softs Contracts and that is a clearing member of ICE Futures Europe.

The term "**Financials & Softs Contract**" means a Financials & Softs Block Contract or a Financials & Softs Matched Contract.

The term "**Financials & Softs Matched Contract**" means a Contract resulting from a Financials & Softs Matched Transaction.

The term "**Financials & Softs Matched Transaction**" means a Transaction that occurs or occurred in respect of Financials & Softs on a Market in accordance with the relevant Market Rules.

The term "**Financials & Softs Transaction**" means a Financials & Softs Matched Transaction or a Financials & Softs Block Transaction where the related trade particulars or data submitted or provided to the Clearing House or ICE Futures Europe by or on behalf of a Clearing Member or Clearing Members (including by any Representative) will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur (or in such a case but where a Sponsored Principal takes the place of one or both of the relevant Clearing Members).

The term "**Force Majeure Event**" means any occurrence outside the control of the Clearing House or the relevant Clearing Member or Sponsored Principal, as applicable, which hinders or prevents the performance in whole or in part of any of its obligations hereunder (excluding an obligation to make a payment, except for a payment by the Clearing House to a Clearing Member or Sponsored Principal that would be funded from a Clearing House Account at a Concentration Bank which Concentration Bank has not released or made available funds to the Clearing House when expected or required) (and, in relation only to any obligation of the Clearing House or a Clearing Member or Sponsored Principal under a Contract, which obligation has not yet fallen due, such an occurrence which would hinder or prevent performance in whole or in part of any of its obligations thereunder were the occurrence or effects of the occurrence to continue until the date of performance of the relevant obligation), including, but not limited to, fire, flood, storm, earthquake, explosion, war, hostilities, accidents howsoever caused, strike, labour dispute, lockout, work to rule or other industrial dispute, lack of energy supply, disruption or blackout of gas or electricity transmission systems, criminal action, terrorist action, civil unrest, embargoes, acts of God, acts of a public enemy, unavailability or impairment of computer or data processing facilities, the actions or omissions of third Persons (including, without limitation, Deriv/SERV, Repositories, CLS Bank, any CDS Trade Execution/Processing Platform, FX Trade Exchange/Processing Platform, Delivery Facilities, Approved Financial Institutions, Concentration Banks, bank or electronic transfer systems, Exchanges, Markets, Clearing Organisations, Governmental Authorities and Regulatory Authorities, but excluding the Clearing House in the case of a Force Majeure Event affecting the Clearing House and further excluding a Clearing Member, its Customers, Transferors and Transferees in the case of a Force Majeure Event affecting a Clearing

Member and excluding a Sponsored Principal in the case of a Force Majeure Event affecting a Sponsored Principal); and, for CDS Clearing Members, Sponsored Principals and the Clearing House in relation to CDS Contracts only, Illegality; or, in relation to delivery of a Deliverable pursuant to any F&O Contract, any event that is an event of force majeure (or similar event, howsoever defined) for that F&O Contract under the Contract Terms or Market Rules.

The term "**FSMA**" means the UK's Financial Services and Markets Act 2000.

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 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 Notional Margin Balance**", in respect of an FX Contract on any day, means the notional sum of all FX Mark-to-Market Margin 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 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 written notice to the Clearing House given by such FX Clearing Member or Sponsored Principal that such FX Trade Execution/Processing Platform is no longer, or is not, authorised to act as its Representative. Where an Affiliate of an FX Clearing Member or Sponsored Principal may submit or confirm FX Trade Particulars for the account of that FX Clearing Member or Sponsored Principal as referred to in the FX Procedures, any person which, as an FX Trade Execution/Processing Platform, is a Representative of such FX Clearing Member or Sponsored Principal shall be deemed to be, additionally, a Representative of such Affiliate for these purposes.

The term "**FX Trade Particulars**" means trade particulars in respect of a foreign exchange transaction in the form of a non-deliverable forward of a nature which, pursuant to the FX Procedures and Circulars, is eligible to be submitted for Clearing pursuant to these Rules and the FX Procedures submitted to the Clearing House by or for one or more FX Clearing Members, Sponsors or Sponsored Principals (including by any Representative, including via an FX Trade Execution/Processing Platform), which particulars, if accepted by the Clearing House, will give rise to an FX Contract or FX Contracts (and, in the case of particulars of an FX transaction submitted by or for a Non-FCM/BD Clearing Member for one of its Customer Accounts, a Customer-CM FX Transaction). For the avoidance of doubt, FX Trade Particulars may or may not reflect a binding contract between two FX Clearing Members or Sponsored Principals or any binding transaction between an FX Clearing Member and its Customer.

The term "**GBP**" means the lawful currency from time to time of the United Kingdom.

The term "**General Customer**" means, for an FCM/BD Clearing Member, a Customer that is not a DCM Customer, Swap Customer, Non-DCM/Swap Customer, or SBS Customer. A Person may be a General Customer of an FCM/BD Clearing Member in relation to certain Transactions or Contracts and another category of FCM/BD Customer of an FCM/BD Clearing Member in relation to other Transactions or Contracts.

The term "**General Customer Account**" means a kind of Customer Account with the Clearing House opened in the name of an FCM/BD Clearing Member for the recording of F&O Contracts (other than U.S. Futures, Swaps or Non-DCM/Swaps) to which that FCM/BD Clearing Member is a party as a result of it acting for one or more General Customers, and related Margin.

The term "**Governmental Authority**" means any Regulatory Authority and any national, federal, supranational, state, regional, provincial, local or other government, government department, ministry, governmental or administrative authority, regulator, agency, commission, secretary of state, minister, court, tribunal, judicial body or arbitral body or any other Person exercising judicial, executive, interpretative, enforcement, regulatory, investigative, fiscal, taxing or legislative powers or authority anywhere in the world with competent jurisdiction.

The term "**Group Company**" means, with respect to any entity, an undertaking which is a parent undertaking or subsidiary undertaking of that entity or a subsidiary undertaking of any parent undertaking of that entity. For the purposes of this definition, the expressions "parent undertaking"

and "subsidiary undertaking" shall have the meanings given to them in section 1162 of the Companies Act 2006, the expression "undertaking" shall have the meaning given to it in section 1161 of the Companies Act 2006 and the expression "entity" shall have the same meaning as the expression "undertaking".

The term "**Guaranty Funds**" means the F&O Guaranty Fund, the CDS Guaranty Fund and the FX Guaranty Fund.

The term "**Guaranty Fund Contribution**" means Permitted Cover transferred by a Clearing Member to the Clearing House as a contribution to the Guaranty Fund pursuant to Part 11 that has not been applied pursuant to Part 9 and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Guaranty Fund Period**" (i) for the F&O Guaranty Fund, means a period for which the total amount of F&O Guaranty Fund Contributions for the F&O Guaranty Fund is fixed pursuant to the Finance Procedures (subject to any termination or suspension of any F&O Clearing Member's membership or status as an F&O Clearing Member, new F&O Clearing Members making F&O Guaranty Fund Contributions and the Clearing House's discretions pursuant to Part 11); (ii) for the CDS Guaranty Fund, means a period for which the total amount of CDS Guaranty Fund Contributions for the CDS Guaranty Fund is fixed pursuant to the Finance Procedures (subject to any termination or suspension of any CDS Clearing Member's membership or status as a CDS Clearing Member, new CDS Clearing Members making CDS Guaranty Fund Contributions and the Clearing House's discretions pursuant to Part 11; or (iii) for the FX Guaranty Fund, means a period for which the total amount of FX Guaranty Fund Contributions for the FX Guaranty Fund is fixed pursuant to the Procedures (subject to any termination or suspension of any FX Clearing Member's membership or status as an FX Clearing Member, new FX Clearing Members making FX Guaranty Fund Contributions and the Clearing House's discretions pursuant to Part 9).

The term "**Guidance**" means guidance issued by the Clearing House pursuant to Rule 109(f).

The term "**HM Treasury**" means Her Majesty's Treasury in the UK and any successor thereto.

The term "**ICE Endex**" means ICE Endex Markets B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Dutch law, registered with the trade register of the chamber of commerce in Amsterdam, the Netherlands, under number 09100980, and includes each of: (i) the regulated market it operates pursuant to a licence under section 5:26(1) of the Dutch Act on the Financial Supervision (*Wet op het financiëel toezicht*) and (ii) the spot market known as the ICE Endex Spot Market.

The term "**ICE Endex Block Contract**" means a Contract resulting from an ICE Endex Block Transaction.

The term "**ICE Endex Block Trade Facility**" means the over-the-counter clearing service operated by ICE Endex in accordance with the ICE Endex Rules.

The term "**ICE Endex Block Transaction**" means an EFS, EFP or ICE Endex Block Trade Facility transaction reported through ICE Endex whether on the regulated market or ICE Endex

Spot Market in accordance with the ICE Endex Rules (and for the avoidance of doubt, the term includes any ICE Endex Spot Market Transaction that falls within this definition).

The term "**ICE Endex Spot Market**" means the "*Spot Market*" (as that term is defined in the ICE Endex Rules) operated by ICE Endex in accordance with the ICE Endex Spot Market Rules.

The term "**ICE Endex Spot Market Contract**" means a Contract resulting from an ICE Endex Spot Market Transaction.

The term "**ICE Endex Spot Market Rules**" means the ICE Endex Rules which are applicable to ICE Endex Spot Market, to the extent that they are general in nature or apply to "*Cleared Products*" (as such term is defined in the ICE Endex Rules), and includes the "*Rules applicable to the Spot Market*" chapter of the ICE Endex Rules, as amended from time to time.

The term "**ICE Endex Spot Market Transaction**" means a transaction that occurs or occurred on or is submitted, provided or reported to the ICE Endex Spot Market in accordance with the ICE Endex Spot Market Rules.

The term "**ICE Endex Contract**" means an ICE Endex Block Contract or an ICE Endex Matched Contract.

The term "**ICE Endex Matched Contract**" means a Contract resulting from an ICE Endex Matched Transaction.

The term "**ICE Endex Matched Transaction**" means a transaction that occurs or occurred on the ICE Endex (whether on the regulated market or ICE Endex Spot Market) in accordance with the ICE Endex Rules (and, for the avoidance of doubt, the term includes any ICE Endex Spot Market Transaction that falls within this definition).

The term "**ICE Endex Rules**" means the rules of ICE Endex (in the case of ICE Endex Spot Market, only to the extent that such rules apply to "*Cleared Products*" as such term is defined in the rules of ICE Endex) and, except when a particular rule is cross-referenced herein, has the same meaning as that given to the term "*Rules*" in the rules of ICE Endex, as amended from time to time.

The term "**ICE Endex Transaction**" means an ICE Endex Matched Transaction or an ICE Endex Block Transaction where the related trade particulars or data submitted or provided to the Clearing House or ICE Endex by or on behalf of a Clearing Member or Sponsored Principal (including by any Representative) will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur.

The term "**ICE Endex UK**" means ICE Endex Gas Spot Ltd. (a company registered in England and Wales with registration number 08254731) and the market operator known as ICE Endex Gas Spot Ltd.

The term "**ICE Endex UK Contract**" means an ICE Endex UK Matched Contract.

The term "**ICE Endex UK Matched Contract**" means a Contract resulting from an ICE Endex UK Matched Transaction.

The term "**ICE Endex UK Matched Transaction**" has the same meaning as that given to the term "*OCM Trade*" in the rules of ICE Endex UK, as amended from time to time.

The term "**ICE Endex UK Rules**" means the rules of ICE Endex UK, and, except when a particular rule is cross-referenced herein, has the same meaning as that given to the term "*Gas Market Rules*" in the rules of ICE Endex UK, as amended from time to time.

The term "**ICE Endex UK Transaction**" means an ICE Endex UK Matched Transaction where the related trade particulars or data submitted or provided to the Clearing House or ICE Endex UK by or on behalf of a Clearing Member will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur.

The term "**ICE Futures Europe**" means ICE Futures Europe (a company registered in England and Wales with registration number 01528617) and the recognised investment exchange (as defined in the FSMA) known as and operated by ICE Futures Europe.

The term "**ICE Futures Europe Block Contract**" means a Contract resulting from an ICE Futures Europe Block Transaction.

The term "**ICE Futures Europe Block Trade Facility**" means the block trade facility operated by ICE Futures Europe in accordance with the ICE Futures Europe Rules.

The term "**ICE Futures Europe Block Transaction**" means an EFS, EFP or ICE Futures Europe Block Trade Facility Transaction reported through ICE Futures Europe in accordance with the ICE Futures Europe Rules.

The term "**ICE Futures Europe Contract**" means an ICE Futures Europe Block Contract or an ICE Futures Europe Matched Contract.

The term "**ICE Futures Europe Matched Contract**" means a Contract resulting from an ICE Futures Europe Matched Transaction.

The term "**ICE Futures Europe Matched Transaction**" means a Transaction that occurs or occurred on the ICE Futures Europe exchange in accordance with the ICE Futures Europe Rules.

The term "**ICE Futures Europe Rules**" means the rules of ICE Futures Europe and, except when a particular rule is cross-referenced herein, has the same meaning as that given to the term "*Regulations*" in the regulations of ICE Futures Europe.

The term "**ICE Futures Europe Transaction**" means an ICE Futures Europe Matched Transaction or an ICE Futures Europe Block Transaction where the related trade particulars or data submitted or provided to the Clearing House or ICE Futures Europe by or on behalf of a Clearing Member or Sponsored Principal (including by any Representative) will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur.

The term "**ICE Futures US**" means ICE Futures U.S. Inc. and the designated contract market operated thereby.

The term "**ICE Futures US Block Contract**" means a Contract resulting from an ICE Futures US Block Transaction.

The term "**ICE Futures US Block Trade Facility**" means the block trade facility operated by ICE Futures US in accordance with the ICE Futures US Rules.

The term "**ICE Futures US Block Transaction**" means an EFS, EFP or ICE Futures US Block Trade Facility transaction reported through ICE Futures US in accordance with the ICE Futures US Rules.

The term "**ICE Futures US Contract**" means an ICE Futures US Block Contract or an ICE Futures US Matched Contract.

The term "**ICE Futures US Matched Contract**" means a Contract resulting from an ICE Futures US Matched Transaction.

The term "**ICE Futures US Matched Transaction**" means a transaction that occurs or occurred on the ICE Futures US exchange in accordance with the ICE Futures US Rules.

The term "**ICE Futures US Rules**" means the bylaws and rules of ICE Futures US.

The term "**ICE Futures US Transaction**" means an ICE Futures US Matched Transaction or an ICE Futures US Block Transaction where the related trade particulars or data submitted or provided to the Clearing House or ICE Futures US by or on behalf of a Clearing Member or Sponsored Principal (including by any Representative) will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur.

The term "**ICE Group**" means the Clearing House and all its Group Companies.

The term "**IFAD**" means ICE Futures Abu Dhabi Limited (a company registered in the Abu Dhabi Global Market with registration number 000003073) and the recognised investment exchange (as defined in the FSMR) known as and operated by ICE Futures Abu Dhabi Limited.

The term "**IFAD Block Contract**" means a Contract resulting from an IFAD Block Transaction.

The term "**IFAD Block Trade Facility**" means the block trade facility operated by IFAD in accordance with the IFAD Rules.

The term "**IFAD Block Transaction**" means an EFS, EFP or IFAD Block Trade Facility Transaction reported through IFAD in accordance with the IFAD Rules.

The term "**IFAD Contract**" means an IFAD Block Contract or an IFAD Matched Contract.

The term "**IFAD Matched Contract**" means a Contract resulting from an IFAD Matched Transaction.

The term "**IFAD Matched Transaction**" means a Transaction that occurs or occurred on the IFAD exchange in accordance with the IFAD Rules.

The term "**IFAD Rules**" means the rules of IFAD and, except when a particular rule is cross-referenced herein, has the same meaning as that given to the term "Rules" in the rules of IFAD.

The term "**IFAD Transaction**" means an IFAD Matched Transaction or an IFAD Block Transaction where the related trade particulars or data submitted or provided to the Clearing House or IFAD by or on behalf of a Clearing Member or Sponsored Principal (including by any Representative) will give rise to a Contract or Contracts if the relevant circumstances specified in Rule 401(a) occur.

The term "**ISDA**" means the International Swaps and Derivatives Association, Inc. and any successor thereto.

The term "**Illegality**" means where, after giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, these Rules, the Procedures and the applicable Contract Terms, due to an event or circumstance (other than any action taken by a Clearing Member or Sponsored Principal) occurring after a Contract arises, it becomes unlawful under any Applicable Law on any day, or it would be unlawful if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the Clearing Member or Sponsored Principal of Rules 202 and 203), to perform any absolute or contingent obligation to make a payment or delivery in respect of such Contract, to receive a payment or delivery in respect of such Contract or to comply with any other material provision of the Rules and Procedures relating to such Contract.

The term "**Impossibility**" means where, after giving effect to any applicable provision, disruption fallback or remedy specified in, or pursuant to, these Rules, the Procedures and the applicable Contract Terms, due to an event or circumstance (other than any action taken by a Clearing Member or Sponsored Principal) occurring after a Contract arises, it becomes impossible on any day, or it would be impossible if the relevant payment, delivery or compliance were required on that day (in each case, other than as a result of a breach by the Clearing Member or Sponsored Principal of Rules 202 and 203), to perform any absolute or contingent obligation to make a payment or delivery in respect of such Contract, to receive a payment or delivery in respect of such Contract or to comply with any other material provision of the Rules and Procedures relating to such Contract.

The term "**Indirect Client**" has the same meaning as that given to the term "indirect client" in Article 1(a) of Commission (2) Delegated Regulation (EU) No 149/2013, subject to the derogations to that definition set out therein or under MiFID II in the context of long chains.

The term "**Individually Segregated Margin-flow Co-mingled Account**" has the meaning set out in the definition of Margin-flow Co-mingled Account.

The term "**Individually Segregated Sponsored Account**" means an Account of a Sponsored Principal, being a kind of Customer Account at the Clearing House for the recording of positions and related Margin, in which solely assets and positions relating to the Sponsored Principal are recorded, enabling the Sponsor and Clearing House to distinguish the assets and positions 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 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 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 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 Account is not and does not form part of a Customer Account. The term includes a similar account nominated by a Sponsored Principal in accordance with Rule 1901(b) and 1902, which must be linked to the relevant Individually Segregated Sponsored Account.

The term "**Nominated Proprietary Bank Account**" means an account 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 Proprietary Account, which may be designated for payments in respect

of F&O Contracts, FX Contracts, CDS Contracts or any or all of them. For the avoidance of doubt, a Nominated Proprietary Bank Account is not and does not form part of a Proprietary Account.

The term "**Non-DCM/Swap**" means, in relation to an FCM/BD Clearing Member, a transaction or Contract that is not a U.S. Future, SBS or a Swap (as described in paragraphs (i) or (ii) of the definition thereof) and that is a "foreign future" or "foreign option" made on or subject to the rules of a "foreign board of trade", each as defined in the CEA or regulations thereunder, which will include without limitation any such transaction or Contract that is an ICE Endex Transaction, an ICE Endex Contract, an ICE Futures Europe Transaction, an ICE Futures Europe Contract, an IFAD Transaction, an IFAD Contract, a Financials & Softs Transaction and a Financials & Softs Contract.

The term "**Non-DCM/Swap Customer**", in respect of an FCM/BD Clearing Member, means a Customer with respect to a transaction or Contract that is a Non-DCM/Swap and which Customer is required by Applicable Laws to be treated as a Non-DCM/Swap Customer. A Person may be a Non-DCM/Swap Customer in relation to certain transactions or Contracts and another category of FCM/BD Customer in relation to other transactions or Contracts.

The term "**Non-DCM/Swap Customer Account**", in respect of an FCM/BD Clearing Member, means a kind of Customer Account with the Clearing House that is not a DCM Customer Account, Swap Customer Account or SBS Customer Account in relation to which the FCM/BD Clearing Member: (i) acts in its capacity as a clearing member in relation to Non-DCM/Swaps (other than Permitted Co-mingled Contracts) connected with the provision of services to Non-DCM/Swap Customers; and (ii) enters into market contracts in the capacity of a clearing member in relation only to transactions connected with the provision of services to Non-DCM/Swap Customers.

The term "**Non-Default Losses**" means losses, liabilities, damages, costs, claims, shortfalls or expenses incurred or suffered by the Clearing House that are not Investment Losses, arising in connection with any event other than an Event of Default and which threaten the Clearing House's solvency.

The term "**Non-FCM/BD CDS Clearing Member**" means any CDS Clearing Member that is not an FCM/BD Clearing Member.

The term "**Non-FCM/BD Clearing Member**" means any Clearing Member that is not an FCM/BD Clearing Member.

The term "**Non-Transfer Positions**" in respect of a Customer Account of a Clearing Member, means the Customer Account Positions in respect of which either: (i) the relevant Customer has not made a Default Portability Preference; or (ii) a Default Portability Preference has been made by the relevant Customer but has not been communicated to the Clearing House by such Clearing Member or, where permitted, by such Customer, in each case in accordance with the Rules and the Procedures.

The term "**Omnibus Margin-flow Co-mingled Account**" has the meaning set out in the definition of Margin-flow Co-mingled Account.

The term "**Open Contract Position**", in respect of each Set of Contracts for a Clearing Member or Sponsored Principal from time to time, comprises the Contract Position and, for F&O Contracts only, the Net Amount Position, where:

(a) *Contract Position* means:

(i) in relation to a Proprietary Position Account for F&O Contracts that are Futures: where a Clearing Member or Sponsored Principal is party to one or more Futures Contracts of a particular Set, the number that equals the netted sum of buy and sell obligations pursuant to those Contracts recorded in that account;

(ii) in relation to a Proprietary Position Account for F&O Contracts that are Options: where a Clearing Member or Sponsored Principal is party to one or more Options Contracts of a particular Set, the number that equals the netted sum of Long and Short obligations pursuant to those Contracts recorded in that account;

(iii) in relation to a Customer Position Account for F&O Contracts that are Futures: where a Clearing Member or Sponsored Principal is party to one or more Futures Contracts of a particular Set, the gross number of buy positions and the gross number of sell positions pursuant to those Contracts recorded in that account (subject to any netting pursuant to Rule 406);

(iv) in relation to a Customer Position Account for F&O Contracts that are Options: where a Clearing Member or Sponsored Principal is party to one or more Options Contracts of a particular Set, the gross number of Long positions and the gross number of Short positions pursuant to those Contracts recorded in that account (subject to any netting pursuant to Rule 406);

(v) in relation to a Proprietary Position Account for CDS Contracts: where a Clearing Member or Sponsored Principal is party to one or more CDS Contracts of a particular Set, the number that equals the aggregate of all Floating Rate Payer Calculation Amounts for (and as defined pursuant to) each CDS Contract of that Set recorded in that account where it acts as Selling Counterparty minus the aggregate of all Floating Rate Payer Calculation Amounts for each CDS Contract of that Set recorded in that account where it acts as Buying Counterparty, provided that Matched CDS Contracts will be held and calculated on a gross basis;

(vi) in relation to a Customer Position Account for CDS Contracts: where a Clearing Member or Sponsored Principal is party to one or more CDS Contracts of a particular Set, the gross number of all Floating Rate Payer Calculation Amounts for (and as defined pursuant to) each CDS Contract of that Set recorded in that account where it acts as Selling Counterparty; and the gross number of all Floating Rate Payer Calculation Amounts for each CDS Contract of that Set recorded in that account where it acts as Buying Counterparty, subject in either case to any netting pursuant to Rule 406, provided that Matched CDS Contracts will be held and calculated on a gross basis;

(vii) in relation to a Proprietary Account for FX Contracts: where a Clearing Member or Sponsored Principal is party to one or more FX Contracts of a particular Set, both the gross Financially-Settled FX Contracts to which the Clearing Member or Sponsored Principal is party as Reference Currency Buyer and the gross Financially-Settled FX Contracts to which the Clearing Member or Sponsored Principal is party as Reference Currency Seller for a particular Set, without prejudice to any requirement for Margin to be called based on the position derived from the Financially-Settled FX Contracts to which the Clearing Member or Sponsored Principal is party as Reference Currency Buyer being netted against the Financially-Settled FX Contracts to which the Clearing Member or Sponsored Principal is party as Reference Currency Seller (or *vice versa*) for a particular Set; and

(viii) in relation to a Customer Account for FX Contracts: where a Clearing Member or Sponsored Principal is party to one or more FX Contracts of a particular Set, both the gross Financially-Settled FX Contracts where the Clearing Member or Sponsored Principal is identified as Reference Currency Buyer and the gross Financially-Settled FX Contracts where the Clearing Member or Sponsored Principal is identified as Reference Currency Seller for a particular Set, without prejudice to any requirement for Margin to be called based on the position derived from the Financially-Settled FX Contracts where the Clearing Member or Sponsored Principal is identified as Reference Currency Buyer being netted against the Financially-Settled FX Contracts where the Clearing Member or Sponsored Principal is identified as Reference Currency Seller (or *vice versa*) for a particular Set to the extent permitted under these Rules and the Procedures for the Customer Account in question,

in any case as calculated by the Clearing House from time to time based on data received by the Clearing House in respect of Contracts entered into by the Clearing Member or Sponsored Principal up to the close of business on the immediately preceding Business Day (or such other period determined by the Clearing House at its discretion); and

(b) *Net Amount Position* for F&O Contracts, means the price at which the Contract Position for any Set is recorded on the Clearing House's books based on Exchange Delivery Settlement Prices for each Contract.

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, 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;

(in each case under (a) and (b)) managed by a German investment company (*Kapitalanlagegesellschaft*) ("**KAG**") within the meaning of the InvG or by a German management company (*Kapitalverwaltungsgesellschaft*) ("**KVG**") within the meaning of the KAGB; or

(c) any similar structures in any other jurisdiction.

The term "**Physical Settlement 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 related to the risk and size of such Clearing Member's or Sponsored Principal's obligations relating to physical settlement of a CDS Contract, as determined pursuant to Rule 503(f)(i) and the Finance Procedures and as calculated or permitted to be called in accordance

with the risk policies of the Clearing House from time to time, including the proceeds of realisation of the same.

The term "**Pledged Collateral**" means Margin (or Permitted Cover in respect thereof) provided by a Clearing Member or Sponsored Principal in respect of a Pledged Collateral Account by way of pledge pursuant to a Pledged Collateral Addendum and any proceeds of realisation of the same.

The term "**Pledged Collateral Account**" means a Proprietary Account or Customer Account (or any sub-account of such an account) in respect of which the Clearing House has designated (including by way of Rule 1603(c) or Circular) that some or all Margin (or Permitted Cover in respect thereof) is to be provided by a Clearing Member or Sponsored Principal by way of security interest in accordance with a Pledged Collateral Addendum rather than by way of title transfer pursuant to the Clearing Membership Agreement or Sponsored Principal Clearing Agreement.

The term "**Pledged Collateral Addendum**" means a pledged collateral addendum to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement entered into between a Clearing Member or Sponsored Principal and the Clearing House and shall, for an FCM/BD Clearing Member, Non FCM/BD Clearing Member, Sponsored Principal and/or particular Account, refer to the relevant form of pledged collateral addendum for such Clearing Member, Sponsored Principal or Account as specified by the Clearing House from time to time.

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

The term "**Position Holder**" has the meaning set out in Rule 407.

The term "**Position Limit**", of any Clearing Member or Sponsored Principal or in respect of any Account, means the limit(s) on Open Contract Positions established by the Clearing House pursuant to Rule 601.

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 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 "**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, the European Securities and Markets Authority, 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.

The term "**Resolution Step**", in respect of a Person other than the Clearing House, means a Governmental Authority exercising one or more of its stabilisation powers under the Banking Act 2009 or powers to adopt early intervention measures, powers to exercise resolution tools or resolution powers under national legislation of any European Economic Area jurisdiction implementing the Bank Recovery and Resolution Directive (Directive 2014/59/EU) or any similar or analogous steps under similar or analogous Applicable Laws in the European Economic Area or protective measures or restructuring procedures under the Swiss Banking Act (*Bundesgesetz über die Banken und Sparkassen*, SR 952.0) or the exercise of powers and functions in order to facilitate the resolution of the Person under any of the Banking Act 1959 of Australia, the Insurance Act 1973 of Australia, the Life Insurance Act 1995 of Australia or the Financial Sector (Business Transfer and Group Restructure) Act 1999 of Australia.

The term "**Rule Change**" means any amendment, alteration, restatement, addition, deletion or other change to the Rules (excluding, for purposes of this definition, the Procedures, any Guidance or any Circular) made in accordance with Rule 109.

The term "**Rules**" means these rules, together with the Procedures, as interpreted in accordance with Guidance and Circulars.

The term "**Sanction**" means any Applicable Law executing foreign policy, security, sanction, trade embargo, boycott, export control, foreign trade control, non-proliferation or anti-terrorism objectives or similar restrictions on any business with a particular jurisdiction, certain types of business or activity or specified Persons that is imposed, administered or enforced from time to time by: (i) the European Union; (ii) HM Treasury or the United Kingdom; (iii) OFAC or the

United States of America and/or its President; (iv) the United Nations Security Council; or (v) any of their successors.

The term "**SBS**" means a security-based swap (as defined in the Exchange Act), but does not include U.S. Futures, Non-DCM/Swaps and Swaps.

The term "**SBS Customer**", in respect of an FCM/BD Clearing Member, means any FCM/BD Customer with respect to any Contract arising as a result of CDS Trade Particulars relating to an SBS and registered in an SBS Customer Account of that FCM/BD Clearing Member. A Person may be a SBS Customer in relation to certain Contracts and another category of FCM/BD Customer in relation to other Contracts.

The term "**SBS Customer Account**", in respect of an FCM/BD Clearing Member, means a kind of Customer Account with the Clearing House (in its capacity as a registered clearing agency registered with the SEC under the Exchange Act), opened in the name of the FCM/BD Clearing Member relating to Contracts to which the FCM/BD Clearing Member is a party as a result of it acting for one or more SBS Customers (whose transactions the Clearing Member requests be recorded in an SBS Customer Account where that is required in accordance with Section 3E(b) of the Exchange Act and SEC Rule 15c3-3, insofar as applicable and any other applicable rules of the SEC) and in which the Clearing House records such Contracts and to which monies in respect of such Contracts are debited and credited, which may be divided for administrative convenience only into sub-accounts relating to different SBS Customers or groups of SBS Customers.

The term "**SEC**" means the Securities and Exchange Commission of the United States of America, or any successor thereto.

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

The term "**Segregated Customer**" means a Customer of a Non-FCM/BD Clearing Member in circumstances where, whether as a result of any requirement of Applicable Law, agreement or arrangement, a customer asset segregation, client money, client asset, trust or other client asset protection regime (being more than the mere requirement arising under EMIR to distinguish from the Proprietary Account assets and positions of the Clearing Member, such as a requirement on the Clearing Member to segregate client money arising under CASS 7 of the FCA rules) applies as between the Customer and the Clearing Member to assets at the time immediately prior to transfer to the Clearing House as Margin for a relevant Customer Margin Account.

The term "**Segregated Customer Omnibus 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 Non-FCM/BD Clearing Member is a party as a result of it acting for one or more Segregated Customers, and related Margin (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 F&O Contracts held for the account of its Segregated Customers).

The term "**Segregated Customer Omnibus Account For CDS**" means a kind of Customer Account with the Clearing House opened in the name of a Non-FCM/BD CDS Clearing Member

for the recording of CDS Contracts to which that Non-FCM/BD CDS Clearing Member is a party as a result of it acting for one or more Segregated Customers, and related Margin (and in which no assets or positions relating to the Non-FCM/BD CDS Clearing Member's own account are recorded, enabling the Non-FCM/BD CDS Clearing Member to distinguish the assets and positions in CDS Contracts held for the account of its Segregated Customers).

The term "**Segregated Customer Omnibus 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 Non-FCM/BD Clearing Member is a party as a result of it acting for one or more Segregated Customers, and related Margin (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 Customers).

The term "**Segregated Gross Indirect 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 or positions relating to the Indirect Clients of a particular Customer are recorded, enabling the Clearing House to distinguish the assets and positions of one Indirect Client recorded in such account from the assets and positions of another Indirect Client recorded in the same account, and to distinguish the assets and positions recorded in such account from the assets or positions of other Indirect Clients and from assets or positions relating to the proprietary assets, positions and Margin of the same Customer and from any assets or positions of other Customers of the Clearing Member and from the assets or positions of the Clearing Member on its own account and also from assets or positions 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 Segregated Gross Indirect Accounts of the same Clearing Member that are recorded in the same position-keeping account, in accordance with Rules 302(a)(vii)-(viii) and 503(k) and the Clearing Procedures. A Segregated Gross Indirect Account is intended for usage as a "segregated account for the exclusive purpose of holding the assets and positions of the indirect clients of each client of the clearing member that are managed by the clearing member" for purposes of EMIR and MiFID II. A collection of Segregated Gross Indirect Accounts using the same position-keeping account as specified in the Clearing Procedures is referred to in some Clearing House documentation as a "Gross Omnibus Indirect Account".

The term "**Segregated TTFCA Customer**" means a Customer of a Non-FCM/BD Clearing Member which provides collateral to the Non-FCM/BD Clearing Member on a title transfer financial collateral arrangement basis or otherwise in circumstances in which no customer asset segregation, client money, client asset, trust or other client asset protection regime applies (other than the requirement arising under EMIR to distinguish from the Proprietary Account assets and positions of the Clearing Member) as between the Customer and the Non-FCM/BD Clearing Member to assets at the time immediately prior to transfer to the Clearing House as Margin for a relevant Customer Margin Account.

The term "**Segregated TTFCA Customer Omnibus Account For CDS**" means a kind of Customer Account with the Clearing House opened in the name of a Non-FCM/BD CDS Clearing Member for the recording of CDS Contracts to which that Non-FCM/BD CDS Clearing Member is a party as a result of it acting for one or more Segregated TTFCA Customers, and related Margin

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

The term "**Segregated TTFCA Customer Omnibus 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 Non-FCM/BD Clearing Member is a party as a result of it acting for one or more Segregated TTFCA Customers, and related Margin (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 F&O Contracts held for the account of its Segregated TTFCA Customers).

The term "**Segregated TTFCA Customer Omnibus 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 Non-FCM/BD Clearing Member is a party as a result of it acting for one or more Segregated TTFCA Customers, and related Margin (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 TTFCA 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 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 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.

The term "**Sponsor Agreement**" means an agreement between a Sponsor and the Clearing House under which, *inter alia*, the Sponsor agrees to act as a Sponsor, the Sponsor agrees to be bound by and subject to these Rules in its capacity as such and pursuant to which the Sponsor nominates Sponsored Principals for whom it will act as Sponsor.

The term "**Sponsored Principal**" means the principal in respect of an Individually Segregated Sponsored Account. A Sponsored Principal must also be a client (as defined in EMIR) that is a Customer of the Sponsor and may be either a Segregated Customer or a Segregated TTFCA Customer.

The term "**Sponsored Principal Clearing Agreement**" means an agreement between a Sponsored Principal and the Clearing House under which, *inter alia*, the Sponsored Principal agrees to act as a Sponsored Principal and the Clearing House agrees to provide Clearing in respect of Contracts of the Sponsored Principal and the Sponsored Principal agrees to be bound by and subject to these Rules. Without prejudice to the generality of Rule 102(b) or to the effectiveness of any other agreement between the Clearing House and a Sponsored Principal, for the avoidance of doubt, for Sponsored Principals that have executed a Pledged Collateral Addendum, the relevant Sponsored Principal Clearing Agreement will be interpreted as amended by that Pledged Collateral Addendum.

The term "**Standard Omnibus Indirect Account**" means a Standard Omnibus Indirect Account for F&O, Standard TTFCA Omnibus Indirect Account for F&O, Standard Omnibus Indirect Account for CDS, Standard TTFCA Omnibus Indirect Account for CDS, Standard Omnibus Indirect Account for FX or Standard TTFCA Omnibus Indirect Account for FX.

The term "**Standard 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 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

Customers solely in respect of transactions entered into by such Segregated Customers with Indirect Clients. A Standard 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 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 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 Customers solely in respect of transactions entered into by such Segregated Customers with Indirect Clients. A Standard Omnibus Indirect Account for F&O 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 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 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 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 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 FX 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 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 "**Strike Price**" in respect of an Option, means the price of the relevant Deliverable at which the Option may be or is exercised.

The term "**Summary Disciplinary Committee**" means a summary disciplinary committee established pursuant to Rule 1004(c).

The term "**Surplus Collateral**" in respect of a Clearing Member, Sponsored Principal or particular Account or account for Guaranty Fund Contributions at any time, means any Permitted Cover transferred to the Clearing House that is not required to satisfy the current or most recently calculated applicable requirements in respect of Margin or Guaranty Fund Contributions at such time. For the avoidance of doubt, Swap Customer Excess Margin (as defined in Rule 1602) does not constitute Surplus Collateral, except as set out in Rule 1605(k)(viii).

The term "**Swap**" means (i) a "swap" as defined in the CEA and the Exchange Act, (ii) to the extent permitted to be held in an account with swaps (as defined in (i) above) under Applicable Law, a "security-based swap" as defined in the CEA and the Exchange Act, and (iii) Permitted Co-mingled Contracts recorded in a Swap Customer Account.

The term "**Swap Customer**", in respect of an FCM/BD Clearing Member, means any FCM/BD Customer with respect to any Contract arising as a result of the submission of CDS Trade Particulars or FX Trade Particulars that relates to a Swap. A Person may be a Swap Customer in relation to certain Contracts and another category of FCM/BD Customer in relation to other Contracts.

The term "**Swap Customer Account**", in respect of an FCM/BD Clearing Member, means a kind of Customer Account with the Clearing House (in its capacity as a registered U.S. derivatives clearing organisation clearing Swaps), the books and records of which are located in the United States of America, opened in the name of the FCM/BD Clearing Member (acting in its capacity as a clearing member in relation to transactions connected with the provision of services to Swap Customers where segregation of related collateral is required in accordance with Section 4d(f) of the CEA insofar as applicable, and any applicable rules of the CFTC as promulgated thereunder and any interpretations thereof by the CFTC, and entering into market contracts in the capacity of a clearing member in relation to transactions connected with the provision of services to Swap Customers) relating to Contracts to which the Clearing Member is a party as a result of it acting for one or more Swap Customers (whose transactions the FCM/BD Clearing Member requests be recorded in a Swap Customer Account where the same is required in accordance with the segregation provisions of Section 4d(f) of the CEA insofar as applicable, and any applicable rules of the CFTC as promulgated thereunder and any interpretations thereof by the CFTC) and in which the Clearing House records such Contracts and to which monies in respect of such Contracts are debited and credited, which may be divided for administrative convenience only into sub-accounts relating to different Swap Customers or groups of Swap Customers.

The term "**Termination Close-Out Deadline Date**" means: (i) in respect of termination of clearing membership or status as a Sponsored Principal either generally or in respect of a particular Membership Category under Rule 209(a)(ii) to (iv) or Rule 209(c) , the date falling 30 Business Days after the Termination Notice Time; (ii) in respect of a termination of clearing membership or status as a Sponsored Principal in respect of a particular Membership Category under Rule 917(c) or Rule 918, the date falling 20+x Business Days after the relevant Termination Notice Time where x= the total number of unexpired Business Days in the Cooling-Off Termination Period; (iii) notwithstanding (i) and (ii), in any case, such later date as the Clearing House may at its discretion permit and notify in writing to the affected Clearing Member or Sponsored Principal; or (iv) in respect of termination of clearing membership or status as a Sponsored Principal following an Event of Default under Rule 209(a)(i), is inapplicable.

The term "**Termination Close-Out Time**" means: (i) in respect of termination of clearing membership or status as a Sponsored Principal generally (other than following an Event of Default under Rule 209(a)(i)), the time at which a Clearing Member or Sponsored Principal ceases to be party to any open Contracts with the Clearing House; (ii) in respect of termination of clearing membership or status as a Sponsored Principal in respect of a particular Membership Category, the time at which a Clearing Member or Sponsored Principal ceases to be party to any open Contracts of the relevant Membership Category with the Clearing House; or (iii) in respect of termination of clearing membership or status as a Sponsored Principal generally following an Event of Default under Rule 209(a)(i), is inapplicable.

The term "**Termination Date**" means: (A) in respect of termination of clearing membership or status as a Sponsored Principal either generally or in respect of a particular Membership Category (other than following an Event of Default under Rule 209(a)(i)), the later of: (i) where applicable, the Termination Close-Out Deadline Date; and (ii) the date of the Termination Close-Out Time; or (B) in respect of termination of clearing membership or status as a Sponsored Principal generally following an Event of Default under Rule 209(a)(i)), the date on which default proceedings are completed or such other date as is specified by the Clearing House in writing.

The term "**Termination Notice**" means a notice served by a Clearing Member of termination of its membership or of its membership of a particular Membership Category or by a Sponsored Principal of termination of its status as such in respect of a particular Membership Category under Rule 209(c)(i)(A) or Rule 917(c).

The term "**Termination Notice Time**" means the time of service by a Clearing Member or Sponsored Principal of a Termination Notice.

The term "**Trade Nomination**" has the meaning given in the Delivery Procedures.

The term "**Transaction**" means: (i) in respect of the Clearing of CDS Contracts, CDS Trade Particulars; (ii) in respect of the Clearing of F&O Contracts, any F&O Transaction; or (iii) in respect of the Clearing of FX Contracts, FX Trade Particulars. For the avoidance of doubt: (A) CDS Trade Particulars, FX Trade Particulars or an F&O Transaction will be valid and constitute a Transaction for purposes of this definition regardless of whether they reflect a binding contract or transaction between two Clearing Members (or any Sponsored Principal) or between a Clearing Member and its Customer and CDS Trade Particulars, FX Trade Particulars or an F&O Transaction shall include any trade particulars or any data resulting from the matching of any trade or block orders; and (B) in the case of an F&O Transaction made on or reported to a Market, the Transaction need not yet have been reported to the Clearing House in order to give rise to an F&O Contract.

The term "**Transaction Rights or Obligations**" means the rights, liabilities or obligations (if any) of a Clearing Member, Sponsor or Sponsored Principal relating to, or arising out of or in connection with any Transaction, whether pursuant to contract, tort, equity, restitution or otherwise, whether joint or several, pursuant to the laws of any jurisdiction, which fall or fell due for performance to any Person other than as between a Customer (excluding a Sponsored Principal) of a Clearing Member in relation to the Transaction in question and such Clearing Member (to which the relevant Standard Terms shall apply), but excluding any rights or liabilities arising pursuant to the relationship of agency between an FCM/BD Clearing Member and its Customer arising in accordance with Part 16.

The term "**Transfer**" has the meaning given to that term in Rule 904(a).

The term "**Transferee**" means a Person nominated by a Buyer to whom a transfer or delivery is to be made under an F&O Contract, pursuant to Part 7 and the Delivery Procedures, and includes reference to the Buyer where transfer or delivery is to be made to the Buyer.

The term "**Transferee Clearing Member**" means a Clearing Member which becomes party to a Contract as a result of a Transfer pursuant to Part 9 of the Rules.

The term "**Transferor**" means a Person nominated by a Seller by whom a transfer or delivery is to be made under an F&O Contract, pursuant to Part 7 and the Delivery Procedures, and includes reference to the Seller where transfer or delivery is to be made by the Seller.

The term "**Tribunal**" means an arbitral tribunal established under Rule 117.

The term "**Under-priced Auction**" means, (i) for the F&O and FX Contract Categories, a situation in which a Default Auction has taken place in accordance with the Default Auction Procedures and the Clearing House determines that such Default Auction is a failed F&O 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.

(b) References to any rules or any agreement are references to such rules or agreement as amended or restated from time to time, provided that such amendments or restatements are made in accordance with these Rules.

(c) The Interpretation Act 1978 shall apply to these Rules in the same way as it applies to an enactment.

(d) When a reference is made in these Rules to a rule, part, paragraph or procedure, such reference is to a Rule, Part, paragraph, Procedure of, or made under these Rules, unless otherwise indicated.

(e) The headings in these Rules are for reference purposes only and do not affect in any way the meaning or interpretation of these Rules.

(f) To the extent there is any conflict between any of the provisions of these Rules, a Clearing Membership Agreement, a Sponsored Principal Clearing Agreement, a Sponsor Agreement, the Procedures (including all exhibits, attachments and appendices thereto), any Guidance or Circular or Market Rules or between any of the foregoing, the provision of the first document specified in the paragraphs below shall prevail, control, govern and be binding upon the parties:

(i) these Rules (excluding the Procedures, Contract Terms (save to the extent that the Contract Terms are in the Rules but excluding Contract Terms that are in the Procedures) and any other document incorporated by reference) (except Rules 301(h), (i), (j) or (k) only in the event of any conflict between any such provision on the one hand and any provision of the Contract Terms of a CDS Contract relating to tax on the other hand, in which case the relevant provision of the Contract Terms of the CDS Contract shall prevail; and except as provided in Rule 1518);

(ii) the Clearing Membership Agreement;

(iii) in relation to an Individually Segregated Sponsored Account, the Sponsored Principal Clearing Agreement;

(iv) in relation to an Individually Segregated Sponsored Account, the Sponsor Agreement;

(v) in the case of CDS Contracts only, the CDS Procedures;

(vi) in the case of F&O Contracts only, those aspects of the Market Rules that include contract terms only or contract specifications which govern deliveries or which otherwise apply to cleared Contracts;

(vii) in the case of F&O Contracts only, the Contract Terms other than those set out in these Rules or Market Rules (except as set out in Rule 102(f)(i)) (excluding the Rules and any other document incorporated by reference);

(viii) the Procedures (excluding any Contract Terms set out in the Procedures) save to the extent included in (v);

(ix) Market Rules other than those referred to in Rule 102(f)(vi) to (vii) above (excluding any document described in Rule 102(f)(i) to (vii) incorporated by reference);

(x) any Guidance;

(xi) any Circular (except for a Circular communicating an amendment to any of the above documents in accordance with these Rules, in which case the amendments communicated in such Circular shall be binding on the effective date specified in the Circular as if such amendments were one of those documents);

(xii) in the case of CDS Contracts recorded in a Customer Account of a Non-FCM/BD Clearing Member, the CDS Standard Terms (solely to the extent that the CDS Standard Terms may be of interpretative relevance to the Rules or a CDS Contract);

(xiii) in the case of F&O Contracts recorded in a Customer Account of a Non-FCM/BD Clearing Member, the F&O Standard Terms (solely to the extent that the F&O Standard Terms may be of interpretative relevance to the Rules or an F&O Contract);

(xiv) in the case of FX Contracts recorded in a Customer Account of a Non-FCM/BD Clearing Member, the FX Standard Terms (solely to the extent that the FX Standard Terms may be of interpretative relevance to the Rules or an FX Contract); and

(xv) in the case of CDS Contracts and Customer-CM CDS Transactions, the Settlement and Notices Terms.

(g) All Clearing Members must comply with the relevant provisions of EMIR and other Applicable Law when providing services to Customers. In particular, all Clearing Members must offer, at least, a choice of one Customer Account providing individual client segregation and one Customer Account providing omnibus client segregation (in the manner set out in Articles 39 and 48 of EMIR) to all Affected Customers. Clearing Members must also offer a choice of using a Segregated Gross Indirect Account or Standard Omnibus Indirect Account to Affected Customers with Indirect Clients. For a Clearing Member that is prevented or prohibited under Applicable Laws itself from providing such Customer Accounts to an Affected Customer, this offer must include, to the extent possible and practicable under Applicable Laws, an offer to procure the

provision to the Affected Customer of such a Customer Account by another Clearing Member (which may be an Affiliate). Clearing Members must provide details of the costs and level of protection under individual versus omnibus segregation. A Clearing Member must record the choice of omnibus or individual client segregation or of 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 or clients of such Customers 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(t) 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 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;

(ii) particular Customer Account be used to meet a loss or shortfall on another of the same Clearing Member's or Defaulter's Customer Account;

(iii) particular Proprietary Account be used to meet a loss or shortfall on another of the same Clearing Members' or Defaulter's Proprietary Accounts;

(which restrictions, for the avoidance of doubt, shall not apply to any Guaranty Fund Contribution or Assessment Contribution).

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, nothing in these Rules shall have the effect of enabling, requiring or implying that any Contracts recorded in a Clearing Member's or Defaulter's:

(iv) Customer Account of any class be netted, combined or offset with any Contract recorded in any of that Clearing Member's or Defaulter's Proprietary Accounts;

(v) particular Customer Account be netted, combined or offset with any Contract recorded in another Customer Account of the same Clearing Member or Defaulter; or

(vi) particular Proprietary Account be netted, combined or offset with any Contract recorded in another Proprietary Account of the same Clearing Member or Defaulter;

(except as expressly provided under the Rules and to the extent permissible under Applicable Laws).

For the avoidance of doubt and ease of reference, the following provisions or documents relevant to asset and account segregation also apply in respect of each Segregated Customer Omnibus Account For CDS, Segregated Customer Omnibus Account For F&O, Segregated Customer Omnibus Account For FX, Standard Omnibus Indirect Account For F&O, Standard Omnibus Indirect Account For CDS and Standard Omnibus Indirect Account For FX of each Clearing Member that is subject to CASS 7.18 of the FCA rules, as well as each Individually Segregated Sponsored Account, Margin-flow Co-mingled Account and Segregated Gross Indirect Account of such a Clearing Member in respect of which the Clearing House gives an acknowledgement in accordance with paragraph (viii) below:

(vii) the third and fourth sentences of clause 5.3 of the Clearing Membership Agreement (and equivalent provisions of the Sponsored Principal Clearing Agreement and Sponsor Agreement, if applicable); and

(viii) any letter delivered to the Clearing House pursuant to CASS 7.18, where the Clearing House has countersigned the same and returned it to the Clearing Member.

Any reference in these Rules or the Procedures to Rule 102(q) shall be deemed to include a reference to such provisions as are mentioned in paragraph (vii) and such letters as are mentioned in paragraph (viii), as are applicable to the Clearing Member concerned.

(r) The Rules shall at all times be observed, interpreted and given effect to in the manner most conducive to the promotion and maintenance of recognition of:

(i) the Clearing House as a recognised clearing house under the FSMA, an authorised central counterparty under EMIR, as having any status or licence granted by a Market or Delivery Facility, as a registered derivatives clearing organization under the CEA and as a registered clearing agency under the Exchange Act and any other legal or regulatory status it has from time to time under any other Applicable Law;

(ii) the good reputation of the Clearing House (and Clearing Members and Sponsored Principals);

(iii) high standards of integrity and fair dealing in accordance with FCA Rules and other Applicable Law;

(iv) the Clearing House's obligation under EMIR and other Applicable Law to act fairly and professionally in accordance with the best interests of Clearing Members, Sponsored Principals and Customers and sound risk management; and

(v) proper protection for all Persons interested in the performance of Contracts.

To the extent that the Clearing House or any Clearing Member or Sponsored Principal has any right under these Rules which may on its face be performed in a manner that goes beyond that which is permitted by Applicable Law, that right may only be exercised to the extent permitted under Applicable Law.

(s) Subject to Rule 1608, these Rules, each Contract and all non-contractual obligations arising out of or in connection with these Rules or any Contract, shall be governed by and construed in accordance with the laws of England and Wales.

(t) These Rules may be supplemented by processes established pursuant to documents governing the internal governance of the Clearing House and its committees.

(u) References in these Rules to UK or English legislation or European Directives shall be interpreted as references to such legislation as implemented in England and Wales, including by the relevant Governmental Authorities. References in these Rules to U.S. federal or state legislation or regulation shall be interpreted as references to such legislation or regulation as implemented in the U.S. including by the relevant U.S. Governmental Authorities.

(v) Notwithstanding Rule 102(o), nothing in these Rules shall preclude a Customer or any other Person from agreeing to the application of these Rules or any provision of these Rules in their agreements with any Clearing Member or third party, in which case the Clearing House shall be entitled to enforce any provision of these Rules (including, without

limitation, Rule 111) as a third party with rights pursuant to the Contracts (Rights of Third Parties) Act 1999.

(w) To the extent permitted by Applicable Laws and without prejudice to Rule 408, a Clearing Member may outsource performance of any of its obligations under the Rules to an Affiliate or other Person, but will remain fully liable to the Clearing House for such performance notwithstanding the outsourcing, provided that a Clearing Member may nominate another Person to perform its responsibilities with respect to the submission of end-of-day prices and participation in Default Auctions and consequences of the same under Part 9 of the Rules, Partial Tear-Up under Rule 915 and such other obligations as permitted by the Clearing House, if such Person is acceptable to the Clearing House and enters into an agreement with the Clearing Member and Clearing House on such terms and conditions as are specified by the Clearing House. In any circumstances in which a Person performs pursuant to an outsourcing arrangement or such a nomination, such Person will act as the Clearing Member's Representative.

(x) If a Person with obligations under these Rules or a Contract is a partnership, the liability of each partner in the partnership under or in connection with these Rules or the Contract shall be joint and several. In the event of any circumstances which would be operation of Applicable Law give rise to the dissolution of the partnership, or entitle a partner to seek an order to dissolve the partnership, the obligations of the partners shall remain in full force and effect.

(y) Where a Contract is not a derivative for the purposes of MiFID II, or any national implementing measure of a member state of the European Economic Area, any provisions in these Rules with respect to Repositories shall not apply, unless the Clearing House or other relevant persons determine to submit details to Repositories on a voluntary basis.

**Rule 103** ***Delay in performance by the Clearing House***

Subject to the provisions of the Contract Terms and further subject as set out in the Procedures, where an obligation of the Clearing House must be performed immediately, promptly or by or prior to a specified time or date but is not so performed, the Clearing House shall not be in breach of these Rules if, having used all reasonable endeavours to perform such obligation by such specified time or date, it performs the relevant obligation promptly after such specified time or date.

**Rule 104** ***Invoicing Back and Specification of Terms***

(a) Other than in circumstances in which Rule 912 applies and subject to Rules 104(c) to (f), if a Force Majeure Event, Illegality or Impossibility affects Contracts of a particular Set, the Clearing House shall have the right, in consultation with the relevant Market (if any) to:

(i) Invoice Back Contracts of such Set; or

(ii) specify or over-ride the price or other terms of Contracts of such Set.

(b) The Clearing House shall in addition have the right, in consultation with the relevant Market, to Invoice Back an Energy Contract that is subject to delivery or tender in the circumstances and in the manner set out in the Delivery Procedures.

(c) Any instance of Invoicing Back or specification or over-riding of price or other terms under Rule 104(a) must, subject to Rule 109(c), be approved in advance by an affirmative vote of the Board at a quorate meeting, at which meeting the facts giving rise to the Force Majeure Event, Illegality or Impossibility, as the case may be, will be considered and at which the Board decides that it would be appropriate to exercise the right in question. Any exercise of such a right will further be undertaken subject to any additional processes established pursuant to documents governing the internal governance of the Clearing House and its committees.

(d) Neither Invoicing Back rights nor specification or over-riding of price or other terms rights under Rule 104(a) or 104(b) are to be exercised by the Clearing House to deal with the general management of an Event of Default (such as for the purpose of changing the amount of any liability of the Clearing House to a Defaulter (or deemed defaulter) or to a Clearing Member or Sponsored Principal which would be a Defaulter on the making of the relevant declaration by the Clearing House under Rule 901(a) or of any liability of any Defaulter (or deemed defaulter) or any such Clearing Member or Sponsored Principal to the Clearing House) or as an alternative to applying the process in Part 10 *et seq*. in circumstances in which such provisions apply. However, nothing in this Rule 104(d) shall prevent the Clearing House from exercising its rights under Rule 104(a) or Rule 104(b) in respect of a Contract to which a Defaulter is party where, in the case of Rule 104(a), a Force Majeure Event, Illegality or Impossibility affects a Contract of a particular Set to which a Defaulter is party in a similar way to that in which it affects Contracts of the same Set to which non-defaulting Clearing Members or Sponsored Principals are party, where the Clearing House takes similar action in respect of Contracts of the same Set of non-defaulting Clearing Members and Sponsored Principals in accordance with this Rule 104 or where, in respect of Rule 104(b) and an Energy Contract that is subject to delivery or tender, the Delivery Procedures provide for Invoicing Back to take place in respect of a Defaulter's Contract.

(e) Where the Clearing House exercises any of its rights under Rule 104(a) or (b), it will do so in good faith and in accordance with Rule 102(r).

(f) The Clearing House will not exercise any rights under Rule 104(a) or (b) to Invoice Back or specify or over-ride the price or other terms of any Contract to which a Clearing Member or Sponsored Principal is party unless there is an objective justification for it doing so and such an approach is applied objectively. The price at which any Invoicing Back or specification or over-riding of price or other terms under Rule 104(a) or (b) is executed shall be determined in a commercially reasonable manner and, in respect of an Energy Contract that is subject to delivery or tender, in accordance with the Delivery Procedures. The process established in Rule 109(k) shall apply to any class of Contract whenever the Clearing House exercises its rights under Rule 104(a), *mutatis mutandis*.

(g) Provided that any rights exercised under this Rule 104 are exercised in accordance with this Rule 104, any resulting Invoicing Back, specification or over-riding of price or other terms by the Clearing House shall be final and binding for the purposes of these Rules and not be subject to challenge by any Person under these Rules or otherwise, except in the case of manifest error, negligence or fraud.

**Rule 105** ***Termination***

(a) If at any time the Clearing House decides to or must cease acting as a clearing house, either generally, in relation to a particular Exchange or in relation to a class of Contracts (including if it determines, following loss of any authorisation, status, approval or recognition from a Regulatory Authority, a Delivery Facility or a Market, that it is unable to continue its business or a particular business), it shall give advance notice of the proposed Withdrawal Date by Circular. In the event of a complete cessation of services or of services in relation to a particular Exchange or any class of Contracts, at least four months' notice shall be necessary unless any action by the Regulatory Authority, Delivery Facility or Market giving rise to the cessation of services takes effect within a shorter period. In any other event for which there is a Withdrawal Date, at least one month's notice shall be necessary. The Clearing House shall be entitled to postpone any such Withdrawal Date, generally or in respect of any individual Clearing Member, Sponsored Principal, Exchange or class of Contract.

(b) If, at any Withdrawal Date, any affected Contracts have not been finally settled, the Clearing House shall be entitled to terminate any or all such Contracts and require any such Contracts to be cash settled on terms specified by the Clearing House in accordance with Rule 104.

(c) Rule 918(a)(i), (ii), (iii), (v), (vi) and (vii) and Rule 918(b) shall apply, *mutatis mutandis*, in relation to a termination of the Clearing House's services, whether generally or in respect of a particular Contract Category, as applicable, in the event of any termination under this Rule 105. For such purposes, the term Termination Notice Time as used in Rule 918 shall be read as referring to the time at which the Clearing House issues a notice relating to the withdrawal, the terms Termination Close-out Deadline Date and Termination Date as used in Rule 918 shall be read as referring to the Withdrawal Date, the term Relevant Contract Category as used in Rule 918 refers to the Sets of Contracts being withdrawn and the terms Relevant Membership Category, Relevant Guaranty Fund Contributions and Relevant Assessment Contributions as used in Rule 918 shall be interpreted accordingly.

**Rule 106** ***Confidentiality and Information***

(a) The Clearing House shall be entitled to keep records in an electronic or durable medium of all data or information available to it under these Rules or otherwise concerning Clearing Members (including financial statements filed with the Clearing House), Customers, Sponsored Principals, Sponsors, Accounts, Margin, Transactions, Contracts, past or current Open Contract Positions, deliveries and settlement.

(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 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;

(iii) information concerning Margin payments between the Clearing House or any other Clearing Organisation and a Clearing Member or Sponsored Principal, 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.

(c) Subject, at all times to Applicable Laws, the Clearing House 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 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 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) 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) 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) 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) 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 other Eligible Currency as the Clearing House, in its discretion, determines is appropriate or expedient. Any such conversion shall be effected at a reasonable exchange rate determined by the Clearing House at its discretion or such Approved Financial Institution.

**Rule 108** ***Maintenance of Records; Return of Documents and other Materials***

(a) Clearing Members and other Persons that provide or present any documentation or other materials to the Clearing House are required to make a copy (whether electronic or physical) prior to doing so and must maintain each such copy for at least ten years. Clearing Members that are authorised and regulated by the FCA or PRA will be deemed to satisfy

this requirement if they comply with all applicable FCA Rules and PRA Rules or MiFID II rules on record-keeping in relation to their activities connected with the Clearing House.

(b) The Clearing House shall not be obliged to return or provide a copy of any document or other materials presented or provided by any Clearing Member or other Person to the Clearing House, except where an express right to such copy or return is set out in these Rules.

**Rule 109** ***Alteration of Rules, Procedures, Guidance and Circulars***

(a) The Clearing House shall provide details (which, where appropriate, will include a reasoned account) of any Rule Change in a Circular. A Rule Change shall take effect and be binding on the Clearing House, Clearing Members, Sponsored Principals and other Persons who have agreed to be bound by the Rules on the relevant date specified by the Clearing House in a Circular. Where the reason for any Rule Change is not manifest in the amended text of the Rules, the Clearing House will seek to provide an appropriate reasoned account of the Rule Change.

(b) The Clearing House shall be entitled, at its discretion, to make any Rule Change at any time and without consulting Clearing Members or any other Persons where such Rule Change:

(i) is of a minor nature and relates to Rules of an administrative or commercial nature;

(ii) is of a limited, technical nature, if a consultation is reasonably considered by the Clearing House not to be appropriate;

(iii) relates to the Clearing House's fees, if a consultation is reasonably considered by the Clearing House not to be appropriate;

(iv) is considered by the Clearing House to be necessary as a result of an Event of Default, Force Majeure Event or Financial Emergency which has been recognised by an affirmative vote of the Board at a quorate meeting (subject always to Rule 109(c)) and subject to any processes established pursuant to documents governing the internal governance of the Clearing House and its committees;

(v) is required to ensure compliance by the Clearing House or any Clearing Member, Sponsored Principal or Customer with Applicable Laws, Accounting Standards or the requirements of any Governmental Authority or Regulatory Authority or is necessary or desirable to maintain the Clearing House's statuses as referred to in Rule 102(r), any Clearing House's status or licence granted by any Delivery Facility or Market, or any other legal or regulatory status it has under any other Applicable Law;

(vi) concerns the parameters for Margin or the Guaranty Fund or classes of or haircuts for Permitted Cover, if a consultation is reasonably considered by the Clearing House not to be appropriate;

(vii) results from, and is or can be implemented solely by, a change in:

(A) Market Rules made by the relevant Market;

(B) the Credit Derivatives Determinations Committees Rules made by the Persons lawfully entitled to amend that document; or

(C) any other document (excluding, for the avoidance of doubt, the Applicable Credit Derivatives Definitions) that is not published by the Clearing House but which is incorporated into or forms part of the Contract Terms of any Contract in circumstances in which, pursuant to the Rules, upon such document being amended there results in a change to the Contract Terms without the need for any further step by the Clearing House,

which changes, for the avoidance of doubt shall take effect upon the relevant Market Rules, Credit Derivatives Determinations Committees Rules or other document itself being amended without the need for any Circular or notice on the part of the Clearing House;

(viii) involves a technical or operational specification of any Contract Term previously published in a Circular or found in a Clearing House policy or procedure but which is not set out in the Rules or otherwise in the Procedures;

(ix) involves the removal of an existing Contract Set or the addition of a new Contract Set; or

(x) is considered by the Clearing House to be of an urgent nature (provided that the Clearing House may consult Clearing Members in relation to the continued applicability of the Rule Change after the urgent event or circumstance has concluded or ended), of a nature that would not affect significantly the rights of Clearing Members or of a nature where a consultation would otherwise not be appropriate or necessary;

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.

(h) None of the following (whether proven, evidenced or alleged) shall invalidate any Rule Change, Procedures amendment or the contents of any Circular or Guidance in respect of any Person:

(i) omission by the Clearing House to give any notice or publish any Circular which may be required under these Rules;

(ii) non-receipt of any Circular by a Person or any of its Representatives;

(iii) lack of awareness on the part of the Person or any of its Representatives;

(iv) lack or inadequacy of any reasoned account; or

(v) failure by the Clearing House to comply with its obligations under Rule 109(d).

(i) Without prejudice to the generality of Rule 109(h), in the event of any of the circumstances in Rule 109(h)(i), (iv) or (v) occurring, the Clearing House will consider what action should appropriately be taken in relation to the Rule Change which may (or may not) include the Clearing House:

(i) opening a second or subsequent consultation on the past Rule Change, subject to the procedures required by this Rule 109 *mutatis mutandis*; or

(ii) allowing Clearing Members or Sponsored Principals to make representations or submissions in relation to a past Rule Change and considering whether to propose a new Rule Change in accordance with this Rule 109.

(j) In accordance with Section 2 of the CDS Standard Terms, a change may be made to the CDS Standard Terms in the same way as a Rule Change is made pursuant to this Rule 109. In accordance with Section 2 of the F&O Standard Terms, a change may be made to the F&O Standard Terms in the same way as a Rule Change is made pursuant to this Rule 109. In accordance with Section 2 of the FX Standard Terms, a change may be made to the FX Standard Terms in the same way as a Rule Change is made pursuant to this Rule 109.

(k) The Clearing House may specify a one-off irreversible payment under Contracts of a particular relevant Set by Buying Counterparties or Selling Counterparties (which in any case shall also include an irreversible payment by the Clearing House to the extent that it takes a similar position in the affected Set), if it has made or proposes to make any Rule Change or other change to Contract Terms which the Clearing House determines, pursuant to documents governing the internal governance of the Clearing House and its committees, materially affects Exchange Delivery Settlement Prices, Mark-to-Market Prices or FX Mark-to-Market Prices of such Set. In such circumstances, the amount payable, the party that is obliged to make such payments, and the date of payments (which may be by reference to the date of introduction of a particular future Rule Change or change to Contract Terms) shall be specified by the Clearing House in a Circular. In making such determinations, the Clearing House may have reference to a poll of, or to price submissions by, Clearing Members or Market prices, the need and process for 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 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, payments or performance for any length of time longer than 3 Business Days after such transfer, 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, 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 of commencement of the daily payment cycle for the relevant currency for the next 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 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, 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, 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, employees or committees (or any individual committee member).

(b) The provisions of this Rule 111 shall apply:

(i) without prejudice to the liability of any other Person subject to the Rules or the rules of any Exchange for the same conduct;

(ii) in the case of inconsistency with any other provision of the Rules, in priority to that other provision;

(iii) whether or not the Clearing Member's Representative(s) are subject to the Rules;

(iv) whether or not the Clearing Member's Representative(s) can be conclusively identified (provided that it is established that the relevant conduct was in fact carried out by a Clearing Member's Representative, albeit an unidentified Clearing Member's Representative); and

(v) save as expressly set out in Rule 111(f), to Sponsored Principals (and Sponsored Principal Clearing Agreements) and Disclosed Principal Members (and their

agreements with the Clearing House), in each case in the same way as they apply to a Clearing Member that has no Customers (and Clearing Membership Agreements).

(c) Neither the Clearing House nor any of its Representatives, its Affiliates or its Affiliates' Representatives shall be liable to any Clearing Member or any other Person in respect of any loss, liability, damage, injury, cost or expense incurred or suffered by such Clearing Member or Person, whether in contract, tort or restitution, as a fiduciary or under any other cause of action, arising out of or in connection with any of the following:

(i) any suspension, restriction or closure of the Clearing House or its services;

(ii) any failure or malfunction of or inability to use any systems, communication lines or facilities or technology supplied, operated or used (directly or indirectly) by the Clearing House, any Market or any Delivery Facility or the suspension, restriction or closure of any Market or Delivery Facility;

(iii) any act or omission of any Exchange, any Market, any Delivery Facility, any Clearing Member or any other third party including any error in relation to price data;

(iv) any Force Majeure Event affecting the Clearing House (including, in relation to a delivery, a Force Majeure Event affecting a Person making or taking delivery on behalf of the Clearing House);

(v) any dispute relating to the validity, existence or terms of any Contract;

(vi) the exercise (or failure to exercise) by the Clearing House of any discretion or right conferred upon it pursuant to these Rules;

(vii) the exercise (or failure to exercise) by any Exchange of any discretion or right conferred upon it pursuant to its rules (including, without limitation, in relation to error trades);

(viii) any indirect or consequential loss, liability, damage, injury, cost or expense, any loss of profit (whether direct or indirect) or any loss of bargain;

(ix) any action in libel, defamation or slander in connection with the issue of any Default Notice, conduct of any proceedings relating to an Event of Default, the timing of termination of any Contracts or the manner in which or the price at which any Contracts are terminated following an Event of Default;

(x) rejection of any application to become a Clearing Member;

(xi) any Contract being void pursuant to Rule 403 or avoided pursuant to Rule 404, including (without limitation) the causes and consequences of such Contract being void or voidable;

(xii) any action or inaction on the part of a Transferor or Transferee;

(xiii) in respect of a Contract subject to tender, delivery or physical settlement:

(A) a tender given by the Clearing House;

(B) any documents accompanying a tender as required by Market Rules or the Procedures;

(C) the performance by the Clearing House of its obligations to make delivery of a Deliverable under a Contract or to pay the price or Exchange Delivery Settlement Price; or

(D) any other loss, liability, damage, injury, cost or expense arising under the terms of a Contract in relation to tender, delivery or physical settlement,

unless, the relevant Clearing Member gives notice of its loss, liability, damage, injury, cost or expense within seven Business Days of either the day on which relevant documents must be taken up and paid for by the Clearing Member (whether or not the Clearing Member fulfils that obligation) or the Clearing Member must take delivery of the Deliverable, whichever is the earlier;

(xiv) as a result of any action taken by it pursuant to Market Rules on the basis that Market Rules are to any extent invalid or *ultra vires* or that a determination or request made by the Market or any agreement made by the Market, is *ultra vires* or incompatible with Market Rules;

(xv) any express or implied representations or warranties in relation to the Clearing House's systems, including, but not limited to, representations or warranties of good title, merchantability and fitness for purpose or for a particular use;

(xvi) any statement, representation, assurance or warranty of the Clearing House or any other Person other than as expressly set out in the Rules, Procedures, Contract Terms, a Clearing Membership Agreement, a Sponsored Principal Clearing Agreement or a Sponsor Agreement; or

(xvii) any action, suit or proceeding brought against the Clearing House over one year after the time that a cause of action, suit or proceeding has accrued

provided that neither this Rule 111(c) nor any other provision of these Rules shall affect the application of section 291 of the FSMA or shall exclude or restrict the liability of the Clearing House or any other Person for:

(xviii) fraud, bad faith, gross negligence or wilful misconduct;

(xix) personal injury or death resulting from negligence, recklessness, or an intentional act or omission;

(xx) obligations under Contracts (except that, other than as provided in Part 7, the terms of CDS Contracts, Part 15, the terms of FX Contracts, Part 17, and the Procedures, the Clearing House shall have no obligation physically to make or accept delivery of any Deliverable and shall have no liability arising out of the failure or lateness of another Clearing Member (or its Transferor or Transferee) physically to make or accept any such delivery or make any such payment); or

(xxi) any liability which in accordance with Applicable Laws cannot be excluded, to the extent such liability cannot lawfully be excluded.

(d) Any possible action, suit or proceeding against the Clearing House must be notified to the Clearing House as soon as reasonably practicable, including all relevant details then known and supporting documentation.

(e) [Not used.]

(f) Save for any liability which it cannot exclude pursuant to Applicable Laws, the Clearing House shall not be liable pursuant to these Rules or any Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement to any Person who is not a Clearing Member or Sponsored Principal. Without prejudice to the generality of the foregoing, the Clearing House shall not be liable (save for any liability which it cannot by law exclude) to any Transferor or Transferee (that is not the Seller or Buyer under a Contract, respectively) or to any Customer of a Clearing Member (except in the case of a Customer as expressly set out in Part 16 of the Rules and elsewhere in respect of Customers of FCM Clearing Members; and in the case of a Sponsored Principal as expressly set out in Part 19 the Rules and elsewhere).

(g) If the Clearing House is found liable to a Clearing Member in respect of a Contract and another Clearing Member is also found liable to the Clearing House in respect of a Contract which arose pursuant to the same Transaction as the first Contract, then the liability of the Clearing House under the first Contract shall be deemed to be a foreseeable consequence of the breach by the Clearing Member of the second Contract and the Clearing House shall be entitled to be indemnified by such Clearing Member in accordance with this Rule 111.

(h) Damage or loss to the property of the Clearing House or any other property on the Clearing House's premises will be paid for by the Clearing Member causing such damage or loss.

(i) If the Clearing House is subject to any claim by a third party which would, if the claim were successful, be likely to give rise to a right on the part of the Clearing House to make a claim under Rule 111(a)(iii) (such claim, a "**Customer-CM Relationship Claim**") or Rule 111(a)(iv), in each case, against a CDS Clearing Member acting in that capacity that is not a Defaulter ("**Indemnifying CM**"):

(i) the Clearing House will:

(A) promptly provide the Indemnifying CM with notice of the Customer-CM Relationship Claim and all documentation and correspondence in its possession that is materially relevant to the Customer-CM Relationship

Claim (save to the extent that the provision of such documentation or correspondence to the Indemnifying CM is restricted by a duty of confidentiality or by any Applicable Law); and

(B) provide the Indemnifying CM with a reasonable opportunity to comment on correspondence and documents proposed to be sent by the Clearing House to the claimant that is material to the Customer-CM Relationship Claim (save to the extent that the provision of any draft correspondence is restricted by a duty of confidentiality or by any Applicable Law);

(ii) the Indemnifying CM shall have the right to defend against, negotiate, settle, or otherwise deal with a Customer-CM Relationship Claim, provided that:

(A) if the Indemnifying CM elects to defend against, negotiate, settle, or otherwise deal with a Customer-CM Relationship Claim, it shall, within thirty (30) calendar days (or sooner if the nature of the Customer-CM Relationship Claim so requires) from the date of receipt of notice from the Clearing House of the Customer-CM Relationship Claim, notify the Clearing House, the relevant officer, or the relevant employee, as applicable, of its intent to do so;

(B) the Indemnifying CM will at all times conduct itself with reference to the requirements of Rule 102(r); and

(C) the Indemnifying CM will consult with the Clearing House in connection with any document or proposed document concerning the Customer-CM Relationship Claim that relates to the Clearing House or makes statements about the Clearing House's conduct, and will take into account any reasonable suggestions or comments received by it from the Clearing House in relation to any such document or proposed document (and the reasonableness of any comments of the Clearing House shall be interpreted, without limitation, with reference to the principles set out in Rule 102(r)); and

(iii) if the Indemnifying CM does not elect to itself defend against, negotiate, settle, or otherwise deal with a Customer-CM Relationship Claim within the period specified in Rule 111(i)(ii)(A),

(A) the Indemnifying CM will promptly provide the Clearing House with all documentation and correspondence in its possession that is materially relevant to the Customer-CM Relationship Claim (save to the extent that the provision of such documentation or correspondence to the Clearing House is restricted by a duty of confidentiality or by any Applicable Law); and

(B) the Clearing House will, in addition to its obligations in Rule 111(i)(i):

(1) take into account any reasonable suggestions or comments received by it from the Indemnifying CM in relation to proposed

correspondence or documents referred to in Rule 111(i)(i)(B) (and the reasonableness of any comments shall be interpreted, without limitation, with reference to the principles set out in Rule 102(r)); and

(2) consult with the Indemnifying CM in respect of the resolution of the Customer-CM Relationship Claim, including, prior to any settlement, in respect of the terms of settlement.

**Rule 112** ***Force Majeure and similar events***

(a) Neither the Clearing House nor a Clearing Member or Sponsored Principal shall be liable for any failure, hindrance or delay in performance in whole or in part of its obligations under these Rules or of any Contract if and to the extent that such failure, hindrance or delay arises as a result of a Force Majeure Event.

(b) On the occurrence of any Force Majeure Event (and, where the Force Majeure Event affects the Clearing House, an affirmative vote of the Board at a quorate meeting recognising such Force Majeure Event (subject always to Rule 109(c)):

(i) the Affected FM Party shall immediately notify the Clearing House of the same (or, if the Affected FM Party is the Clearing House, the Clearing House shall issue a Circular in relation to the Force Majeure Event);

(ii) the Clearing House shall be entitled to require any Contracts affected by the event or circumstance to be performed in accordance with directions issued by the Clearing House or to be Invoiced Back;

(iii) the Clearing House shall be entitled to require any Clearing Member or Sponsored Principal to take such action as the Clearing House may direct in respect of Contracts affected by the event or circumstance;

(iv) the Clearing House shall be entitled to require Clearing Members or Sponsored Principals to comply with any directions issued by the Clearing House regarding the performance of, or otherwise in respect of, such affected Contracts as are specified by the Clearing House; and, upon receipt of such an invoice, settlement of all affected accounts shall be due immediately and shall be made forthwith in discharge of such Contracts;

(v) a Clearing Member or Sponsored Principal affected by a Force Majeure Event shall use all reasonable endeavours to mitigate the effects of the same upon its ability to perform its obligations to the Clearing House and if the Clearing House is affected by a Force Majeure Event, it shall use all reasonable endeavours to mitigate the effects of same upon its ability to perform such obligations to Clearing Members; and

(vi) the Affected FM Party shall notify the Clearing House immediately as soon as its ability to perform is no longer affected by the Force Majeure Event (or, if Affected

FM Party is the Clearing House, the Clearing House shall issue a Circular in relation to the cessation of the Force Majeure Event).

(c) If a Market determines in accordance with Market Rules that an excessive position or unwarranted speculation or any other undesirable situation or practice is developing or has developed which is affecting or capable of affecting the Market, the Clearing House may take such action as is requested of it by that Market in respect of one or more Contracts.

**Rule 113** ***Notices***

(a) The delivery by hand, electronic transmission, facsimile or telephone of any notice, order or other communication to a Clearing Member or Sponsored Principal at the address, facsimile number or telephone number last designated by it shall be good and sufficient delivery thereof to such Person (unless another method of delivery is specified in the Rules or in relation to any Contract). The publication of a Circular shall amount to good and sufficient delivery of the contents of the Circular to all Clearing Members and Sponsored Principals.

(b) Any notice, document, communication, filing or form to be served on, filed with, made to or provided to the Clearing House pursuant to these Rules or in relation to any Contract shall be served, filed, made or provided at the address, fax number or e-mail address (or through such other communication system) as is specified by the Clearing House from time to time in accordance with the Procedures and shall be marked for the attention of such person or department as is specified by the Clearing House from time to time in accordance with the Procedures. Unless another form or method is specified in the Rules or the Procedures for the notice, document, communication, filing or form in question, a notice, document, communication, filing or form must be served, filed, made or provided in writing.

(c) Any notice, document, communication, filing or form, unless otherwise specified in the Rules or the Procedures, will only be effectively served, filed, made or provided and delivered to the Clearing House for the purposes of these Rules:

(i) if sent by post, on the third Business Day (or tenth Business Day in the case of airmail) after the day on which it was deposited in the post, full postage prepaid, in a correctly addressed envelope; or

(ii) if delivered in person or by courier, at the time of delivery or, if not delivered during business hours on a Business Day, on the following Business Day.

(d) Unless otherwise specified in the Rules or Procedures, any notice by fax or electronic communication shall not be effective until hard copy confirmation is served pursuant to Rule 113(c).

(e) Each Clearing Member 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 service of process issued out of the courts of England and Wales in relation to any arbitration commenced pursuant to Rule 117, the Clearing Membership Agreement or any Sponsor

Agreement and shall deliver to the Clearing House an agreement substantially in the form specified by the Clearing House relating to such appointment countersigned by such agent. No Clearing Member shall give any notice of revocation to, or otherwise terminate the appointment of, any such agent unless prior to such termination it has validly appointed a replacement agent in England and Wales reasonably acceptable to the Clearing House to accept service of process issued out of the courts of England and Wales in relation to any arbitration commenced pursuant to Rule 117, the Clearing Membership Agreement or any Sponsor Agreement and has delivered to the Clearing House a copy of that agent's acceptance of that appointment substantially in the form specified by the Clearing House countersigned by such agent. If for any reason any agent appointed under this Rule 113(e) ceases to be such an agent, the Clearing Member shall forthwith appoint a replacement agent in England and Wales and deliver to the Clearing House a copy of the new agent's acceptance of that appointment substantially in the form specified by the Clearing House countersigned by such agent within 10 Business Days of such appointment. Nothing in these Rules, the Procedures, the Clearing Membership 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 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.

(n) All Permitted Cover standing to the credit of a Clearing Member who is party to one or more Contracts subject to a Dispute or difference to which this Rule 117 or Market Rules applies, whether or not such Permitted Cover is held with respect to a disputed Contract, may be retained by the Clearing House until the Dispute in question is finally disposed of.

(o) This Rule 117 is subject to Rule 1608.

(p) This Rule 117 applies to Disputes in connection with Sponsored Principals and Sponsored Principal Clearing Agreements in the same way that it applies to Disputes in connection with Clearing Members and Clearing Membership Agreements;

(q) This Rule 117 applies to Disputes in connection with Sponsors and Sponsor Agreements in the same way that it applies to Disputes in connection with Clearing Members and Clearing Membership Agreements.

## 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: (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 to enable it to meet its obligations as a Clearing Member;

(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 one or more Approved Financial Institution 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)(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 opportunity

to be heard by the Clearing House's Board (or an appropriately constituted sub-committee of the Board) in relation to the matter and to present evidence as to why its application should not be denied or may raise a complaint which the Clearing House will deal with in the same way as if Part 10 applied to such complaint (notwithstanding that the Rules do not apply to the complaint).

(f) Membership of the Clearing House does not entitle any Clearing Member to any shareholding or other similar interest in the Clearing House or any of the Clearing House's Affiliates. Nothing in these Rules is intended to, or shall be deemed to, establish any partnership or joint venture between any Clearing Member, Sponsor, Sponsored Principal, the Clearing House or any other Person. Except for any provision relating to the relationships between a Clearing Member and Disclosed Principal Member, between a Clearing Member and its Representative or between a Sponsor and its Sponsored Principal, nothing in these Rules constitutes any Clearing Member, Sponsored Principal, Sponsor, Disclosed Principal Member, Customer or the Clearing House as the agent or principal of any other Person. Nothing in these Rules authorises any Person to make or enter into any commitments for or on behalf of any other Person (save in the case of a Clearing Member acting on behalf, or for the account, of and being liable for a Customer or as otherwise expressly provided herein).

(g) Clearing Members shall be deemed to represent and warrant, upon their first date of membership and on each subsequent date that they are a Clearing Member, that they meet all of the membership criteria in Rule 201(a) (and, if they are a CDS Clearing Member, Rule 201(i) and, in addition, if they are an FX Clearing Member, Rule 201(j)) and are in compliance with all of their obligations under these Rules.

(h) In order to attain and maintain membership as a Disclosed Principal Member, a Person must, at a minimum, as from the date on which it is proposed that it becomes a Disclosed Principal Member, meet all the requirements for membership as a Clearing Member. A Disclosed Principal Member shall be subject to and bound by all these Rules in every way as if it were a Clearing Member, subject to such modifications as are set out herein and acting at all times as disclosed principal for the Clearing Member that it has selected.

(i) In order to attain and maintain membership as a CDS Clearing Member, a Person must, at a minimum, as from the date on which it is proposed that it becomes a CDS Clearing Member, meet such additional requirements applicable to CDS Clearing Members as are specified in the CDS Procedures.

(j) In order to attain and maintain membership as an FX Clearing Member, a Person must, at a minimum, as from the date on which it is proposed that it becomes an FX Clearing Member, meet such additional requirements applicable to FX Clearing Members as are specified in the Procedures.

(k) The references in Rule 201(g), Rule 202(a)(iv) and Rule 209(a)(v) to satisfaction of the criteria for membership in or set out in Rule 201(a) include those criteria for membership which are required pursuant to (but not actually set out in) Rule 201(a).

**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 purposes of cash transfers to and from the Clearing 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;

(D) all of its Representatives are fit and proper, suitable, adequately trained and properly supervised;

(E) all clearing business conducted by it, including in relation to individual Contracts, complies with the Clearing Member's obligations under the Rules and Applicable Laws;

(F) it only enters into Contracts or accesses the Clearing House (through actions of its Representatives or otherwise) in or from jurisdictions on a list of acceptable jurisdictions published by the Clearing House from time to time and in accordance with all conditions and requirements as are specified by the Clearing House from time to time for entry into Contracts or access in or from that jurisdiction;

(G) it is able continuously to monitor communication facilities for receipt of communications from the Clearing House; and

(H) it is able promptly to review Circulars and other communications delivered or made available to the Clearing Member or its Representatives by the Clearing House;

(xv) ensure that any power of attorney, appointment of any agent or Representative or other authorisation to transact business with the Clearing House given by a Clearing Member to any Person remains in effect on its original terms until not less than five Business Days after a written notice of change has been received by the Clearing House;

(xvi) keep accurate records showing the details of each Transaction submitted for Clearing by or on behalf of such Clearing Member and such other information, in such form, as shall be required by the Clearing House from time to time and in accordance with Applicable Laws and Accounting Standards;

(xvii) gather and make available to the Clearing House basic information to identify, monitor and manage relevant concentrations of risk relating to the provision of services to Customers;

(xviii) upon request, inform the Clearing House about the criteria and arrangements adopted by it to allow clients access to Clearing with the Clearing House;

(xix) participate in default management simulations, new technology testing and other exercises, as notified by the Clearing House from time to time;

(xx) be responsible for ensuring that Customers comply with their obligations in the manner set forth in the Rules and Standard Terms; and

(xxi) if it is subject to CASS 7.18 of the FCA rules, deliver to the Clearing House, in the format required under CASS 7.18, a letter in respect of each of 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 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)).

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

(iii) makes all notifications that would be required under Rule 204 if the Controller were a Clearing Member, *mutatis mutandis*, and such provisions applied to the Controller's business.

**Rule 203** ***Prohibitions on Clearing Members***

(a) In connection with these Rules, any Contracts, its membership of the Clearing House or its business and activities as a Clearing Member, no Clearing Member shall at any time:

(i) provide any information to the Clearing House (including information for the purpose of obtaining or reinstating membership) which is false, misleading or inaccurate in any material respect;

(ii) breach any Applicable Law relating to its status and performance as a Clearing Member;

(iii) commit any act of fraud;

(iv) engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering or which is in breach of any similar Applicable Laws;

(v) except with the prior written consent of the Clearing House and otherwise than to terminate existing positions, continue to trade, enter into Contracts or provide or accept payments or transfers in respect of Margin when not in compliance with the Capital requirement then applicable;

(vi) knowingly disseminate false, misleading or inaccurate reports concerning any Contract, product or market information or conditions that affect or tend to affect prices of Contracts;

(vii) make or report a false or fictitious Transaction or Contract;

(viii) knowingly, fraudulently, recklessly or negligently furnish any false, inaccurate or misleading information to the Clearing House;

(ix) enter into any Contract or fail to close out the same either intending to default in performance of the same or having no reasonable grounds for believing that it would be able to avoid such default (provided that it shall not be sufficient to have intended to comply with any contractual or other provision governing the consequences of default);

(x) use or reveal any information confidential to the Clearing House or any of its Representatives when under a legal or contractual obligation to the Clearing House or any Applicable Law not to do so;

(xi) (A) use any information technology or any online services provided to it or made available to it pursuant to its membership of the Clearing House other than for the 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;

(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)(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 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 (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 Laws or otherwise. It is the responsibility of the Clearing Member (and not the Clearing House) to ensure that its Nominated Proprietary Bank Accounts and Nominated Customer Bank Accounts are linked appropriately to each Proprietary Account and Customer Account and to ensure its own compliance with Applicable Laws relating to conduct of business, client money, segregation and use of client assets and segregation of Customer Transactions. Accordingly: (i) the Clearing House and each Clearing Member that has a Customer Account agree that there will be no setting off against each other of positions and assets recorded in any of the Clearing Member's Customer Accounts against any of the Clearing Member's Proprietary Accounts or any other Customer Account of that Clearing Member, in any circumstances which would contravene section 182A of the Companies Act 1989; (ii) the Clearing House and each Clearing Member with more than one Customer Account agree that there will be no setting off against each other of positions and assets recorded in each of the Clearing Member's different Customer Accounts against any of the Clearing Member's Proprietary Accounts or any other Customer Account of that Clearing Member, in any circumstances which would contravene section 182A of the Companies Act 1989; and (iii) the Clearing House and each Clearing Member with more than one Proprietary Account agree that there will be no setting off against each other of positions and assets recorded in each of the Clearing Member's different Proprietary Accounts, against any of the Clearing Member's Customer Accounts or any other Proprietary Account of the Clearing Member, in any circumstances which would contravene section 182A of the Companies Act 1989. An FCM/BD Clearing Member shall be eligible to have any number of Proprietary Accounts, DCM Customer Accounts, Non-DCM/Swap Customer Accounts, Swap Customer Accounts, General Customer Accounts and SBS Customer Accounts. A Non-FCM/BD Clearing Member shall be eligible to have any number of Proprietary Accounts and any number of Customer Accounts of any Customer Account Category that is available for Non-FCM/BD Clearing Members, as well as being able to act as Sponsor in respect of any number of Individually Segregated Sponsored Accounts.

(e) A Disclosed Principal Member shall be liable as principal to the Clearing House and responsible for all obligations arising in respect of the Proprietary Account referable to the Clearing Member that has appointed it as a Disclosed Principal Member, instead of the

Clearing Member. Where the Clearing Member appoints a Disclosed Principal Member, there shall be no Customer Account for either the Clearing Member or the Disclosed Principal Member and the only Proprietary Account shall be that of the Disclosed Principal Member.

(f) Subject to Market requirements (if any), a Clearing Member may appoint another Clearing Member to perform specific functions, including deliveries, on the first Clearing Member's behalf. In order to do so, the relevant Clearing Members, the Market (if any) and the Clearing House must be party to an agreement pursuant to which the second Clearing Member agrees to perform specific functions detailed in the agreement on behalf of the first Clearing Member. A Clearing Member intending to perform functions for another Clearing Member will represent and warrant to the Clearing House that it has sufficient authorisation under the FSMA and other Applicable Laws to carry on such function.

(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, 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.

(c) The Clearing House shall be entitled at its discretion to revoke the suspension of any suspended Clearing Member.

(d) The Clearing House may publish details of any suspension or a copy of any suspension notice in or together with a Circular, at its discretion except to the extent that a notice is required by Rule 208(e).

(e) The Clearing House will issue a Circular promptly following any suspension of a Clearing Member or the suspension of any Clearing Member's ability to clear Energy Contracts, Financials & Softs Contracts, F&O Contracts, CDS Contracts or FX Contracts specifying the name of the Clearing Member affected.

**Rule 209** ***Termination of Clearing Membership***

(a) The Clearing House shall be entitled to terminate the membership of any Clearing Member, either generally or in respect of any Relevant Contract Category, upon written notice to the Clearing Member:

(i) following the occurrence of any Event of Default affecting that Clearing Member;

(ii) as a result of disciplinary proceedings brought against that Clearing Member pursuant to Part 10;

(iii) following any material and unremedied breach by the Clearing Member of these Rules;

(iv) upon such Clearing Member ceasing to meet, or being unable to satisfy the Clearing House that it is able to meet, any of the membership criteria set out in or required pursuant to Rule 201(a) or, if it is a CDS Clearing Member, Rule 201(i), or, if it is an FX Clearing Member, Rule 201(j); or

(v) taking effect no less than 30 Business Days after the date of service of the notice.

(b) Rule 918(a)(i), (ii), (iii), (v), (vi), (vii), (viii) and (b) shall apply, *mutatis mutandis*, following service of a notice of termination by the Clearing House, whether generally or

in respect of a particular Contract Category, under Rule 209(a)(ii)-(v). For such purposes, the terms Relevant Contract Category and Relevant Membership Category as used in Rule 918 refer to the Contract Category and Membership Category respectively to which the notice of termination relates and the terms Relevant Guaranty Fund Contributions and Relevant Assessment Contributions as used in Rule 918 shall be interpreted accordingly.

(c)

(i) A Clearing Member shall be entitled to terminate its membership of the Clearing House, either generally or in respect of any Relevant Contract Category, upon service of a Termination Notice to the Clearing House:

(A) taking effect no less than 30 Business Days after the date of the Termination Notice Time; or

(B) pursuant to Rule 917(c).

(ii) The membership of a Clearing Member shall terminate automatically upon the occurrence of an Insolvency in respect of the Clearing House. In any such circumstances, Rule 912 applies.

(iii) The membership of a Clearing Member in respect of a particular Membership Category shall terminate automatically upon the occurrence of a Failure To Pay in respect of the Clearing House relating to such Membership Category. In any such circumstances, Rule 912 applies.

(d) Rules 918(a)(ii), (iv), (v), (vi), (vii), (viii) and (b) shall apply, *mutatis mutandis*, following service of a Termination Notice, whether generally or in respect of a particular Contract Category, under Rule 209(c)(i)(A). For such purposes, the terms Relevant Contract Category and Relevant Membership Category as used in Rule 918 refer to the Contract Category and Membership Category respectively to which the Termination Notice relates and the terms Relevant Guaranty Fund Contributions and Relevant Assessment Contributions as used in Rule 918 shall be interpreted accordingly. Unless it served such notice during a Cooling-off Termination Period, a Clearing Member that serves a Termination Notice shall be liable immediately upon service of the Termination Notice to pay the Clearing House Assessment Contributions of an amount equal to three times its required Relevant Guaranty Fund Contribution (as calculated prior to the time of the Cooling-off Trigger Event) in respect of each Relevant Contract Category, such amounts to be held as permitted Cover until the Termination Date and applied only as permitted in accordance with Part 9 of the Rules. A Clearing Member that has served a Termination Notice and made such payments shall not be liable for any further replenishments of its Guaranty Fund Contribution or Assessment Contribution, regardless of how many Events of Default take place. Any reference in these Rules to Assessment Contributions being called or to Guaranty Fund Contributions being replenished or applied, in respect of a Clearing Member which has provided such Permitted Cover to the Clearing House under this Rule 209(d), shall be interpreted as a reference to the Permitted Cover in question being similarly applied.

(e) The Clearing House will issue a Circular promptly following any termination of membership of a Clearing Member or the termination of any Clearing Member's ability to clear a specified Contract Category, specifying the name of the Clearing Member affected. The Clearing House may at its discretion (but shall not be required to) publish a copy of any Termination Notice or other termination notice.

## Part 3 Financial Requirements and Payments

### Rule 301 *Fees, Margin, Contract and other payment obligations*

(a) Clearing Members shall be liable to pay such fees and charges as are levied by the Clearing House in accordance with published rates from time to time. Unless otherwise provided and without limitation, fees shall be payable on each Contract cleared by the Clearing House and the Clearing House shall be entitled to levy fees in respect of Permitted Cover. The Clearing House may amend its fees and charges and the bases for its fees at any time and will notify Clearing Members of any such amendments by means of a Circular prior to the same taking effect.

(b) Fees charged to Clearing Members by the Clearing House may include the fees of any one or more Markets. The Clearing House shall be entitled to collect fees due from Clearing Members on behalf of all Markets of which a Clearing Member is a member or participant.

(c) Clearing Members shall be liable to make any payment to the Clearing House that is required pursuant to these Rules at the time and in the amount specified by the Rules or required in accordance with the Rules. In particular, Clearing Members shall be liable to make payment in respect of Margin and Guaranty Fund Contributions from time to time in accordance with Part 5, Part 6 and Part 11 of the Rules at the times and in the amounts that are required pursuant to the instructions of the Clearing House made pursuant to Rule 302.

(d) Clearing Members shall be liable to pay all amounts due under the Contract Terms, upon entering into a Contract, as Margin and upon delivery or settlement, as further described in these Rules and the Contract Terms at the time and in such amounts as are required pursuant to the Contract Terms. Without prejudice to the generality of the foregoing:

(i) in relation to each F&O Contract that is a Future, the parties to such Contract shall be liable to make such payments upon settlement and delivery as are required pursuant to Part 7, the Contract Terms, the Delivery Procedures and the Finance Procedures;

(ii) in relation to each F&O Contract that is an Option, the parties to such Contract shall be liable to make such payments as are required pursuant to Part 8, the Contract Terms, the Delivery Procedures and the Finance Procedures;

(iii) in relation to each CDS Contract, the parties to such Contract shall be liable to make such payments as are required pursuant to Part 15 and the Procedures; and

(iv) in relation to each FX Contract, the parties to such Contract shall be liable to make such payments as are required pursuant to Part 17 and the Procedures.

(e) Each Clearing Member will procure that the Clearing House has at all times the right to instruct that Clearing Member's Approved Financial Institution to debit its Nominated Proprietary Bank Accounts (if any) and Nominated Customer Bank Accounts (if any) and 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 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 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 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 pursuant to the Standard Payments Mechanism due to the Clearing Member and other Clearing Members (in its capacity as an Approved Financial Institution or Concentration Bank) in respect of the Business Day in question.

Nothing in this Rule 301(f) shall restrict or prevent the Clearing House or any Clearing Member from making any claim against an Approved Financial Institution which has failed to make a payment referred to under this Rule 301(f). In particular: (I) the Clearing House shall not be deemed to have had any loss, liability or shortfall made good or whole vis-à-vis an Approved Financial Institution by virtue of any further payment by a Clearing Member in addition to an attempted payment not credited to its account as a result of this Rule 301(f); and (II) an Approved Financial Institution which has failed to make any payment referred to in this Rule 301(f) shall remain fully liable to the Clearing House or relevant Clearing Member for any such failed payment or account balance notwithstanding a reimbursement or additional payment as between a Clearing Member and the Clearing House. In the event that:

(x) a payment is received into a Clearing House Account at an Approved Financial Institution but the requirements of Rule 301(f)(ii) or Rule 301(f)(iii) are not satisfied;

(y) an affected Clearing Member has satisfied its payment obligations through an additional payment which complies with the requirements of this Rule 301(f); and

(z) the Clearing House makes a recovery or irrevocably receives any part or full payment from the Approved Financial Institution into one of its accounts at a Concentration Bank (which Concentration Bank is not subject to an Insolvency),

then the Clearing House will make payment to affected Clearing Members in respect of the recovery or receipt actually made by the Clearing House, net of the Clearing House's costs and expenses, *pro rata* in proportion to the amounts of the original missed payments of each affected Clearing Member.

No Clearing Member shall be declared subject to an Event of Default as a result of failing to make any payment due to the operation of either Rule 301(f)(ii) or Rule 301(f)(iii), unless and until the Clearing House has notified the Clearing Member of the failed payment in question and requested that the payment be made using alternative means and the Clearing Member has defaulted in making the latter payment (other than solely due to the operation of either Rule 301(f)(ii) or Rule 301(f)(iii)). Where the concentration function of an Approved Financial Institution that is not subject to an Insolvency is adversely affected by a non-payment (including by reason of an Event of Default, dispute or operational failure) of a particular Clearing Member, and the Clearing House is notified of such non-payment and the Clearing Member concerned, the Clearing House will re-issue new payment instructions for concentration payments excluding the non-payment of the relevant Clearing Member prior to requesting or requiring other Clearing Members to use a different Approved Financial Institution under this Rule 301(f).

(g) Interest shall be paid by the Clearing Member to the Clearing House on any unpaid but due amount from the date on which the amount becomes due and payable until the date of payment at 1% above the rate per annum which is the cost (without proof or evidence of any actual cost) to the Clearing House if it were to fund the relevant amount, compounded daily.

(h) In the event that the Clearing House determines that it will suffer or has suffered (directly or indirectly) any loss, liability or cost for or on account of any tax in connection with any Contract, any amount payable to the Clearing House or in respect of any future obligation, or these Rules, the Clearing Member counterparty to such Contract or the Clearing Member by which such amount is payable shall be liable to pay to the Clearing House, pursuant to Rule 302, an amount equal to such loss, liability, or cost.

(i) All amounts set out in or expressed to be payable to the Clearing House in connection with any Contract or these Rules or otherwise and which constitute the consideration for a supply made by the Clearing House for the purposes of value added tax, and the value of any supply made by the Clearing House for value added tax purposes, shall be deemed to be exclusive of any value added tax which is chargeable on that supply and accordingly if value added tax is chargeable on any supply made by the Clearing House the relevant Clearing Member shall pay to the Clearing House (in addition to and at the same time as the consideration is paid or provided, or if no consideration is due, at the time the supply is made or an appropriate value added tax invoice is issued, whichever is earlier) an amount equal to the amount of the value added tax and the Clearing House shall issue an appropriate value added tax invoice.

(j) All amounts payable to the Clearing House or by the Clearing House in connection with any Contract or these Rules or otherwise shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law. If a deduction or withholding for or on account of tax is required to be made in relation to an amount payable to the Clearing House, the amount of the payment due shall be increased to an amount which (after making the deduction or withholding) leaves an amount equal to the payment which would have been due if no such deduction or withholding had been required.

(k) Where a Clearing Member has appointed a Disclosed Principal Member, any obligation of the Clearing Member to make payment to the Clearing House shall be construed as an obligation of the Disclosed Principal Member, any right to receive payment of the Clearing Member shall be construed as a right of the Disclosed Principal Member and all other provisions of these Rules relating to payment shall be construed accordingly.

(l) Any payment due to a Clearing Member from the Clearing House will be recognised as having been duly made, and the Clearing House's obligations in respect thereof shall be treated as having been satisfied and discharged, at the time that the relevant Credit/Debit Payment Transfer Order arises relating to such payment (or, if the Clearing Member or Approved Financial Institution is not a Participant, would have arisen were the Clearing Member or Approved Financial Institution to have been a Participant), provided that the Clearing House has reason to believe that the Clearing House Account from which payment is to be made has sufficient funds or credit on account.

(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 "**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 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 in an amount equal to the amount so due;

(v) if the net amount for a Margin-flow Co-mingled 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 either: (A) in an amount equal to the total of all net amounts due to the Clearing House across all Margin-flow Co-mingled Accounts of the Clearing Member that are recorded in the same position-keeping account (or in respect of all Margin-flow Co-mingled 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 Member in respect of the same Margin-flow Co-mingled Accounts; or (B) separately in respect of the net amount for each Margin-flow Co-mingled 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 Margin-flow Co-mingled Accounts on a net basis;

(vi) if the net amount for a Margin-flow Co-mingled 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 Margin-flow Co-mingled Accounts of the Clearing Member that are recorded in the same position-keeping account (or in respect of all Margin-flow Co-mingled 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 Margin-flow Co-mingled Accounts; or (B) separately in respect of the net amount for each Margin-flow Co-mingled 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 Margin-flow Co-mingled Accounts on a net basis;

(vii) if the net amount for a Segregated Gross Indirect 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 either: (A) in an amount equal to the total of all net amounts due to the Clearing House 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 Member 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;

(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 the same or any other rights or remedies of the Clearing House or any Approved Financial Institution, whether under these Rules or otherwise.

(d) Without prejudice to Applicable Laws of mandatory application following an Insolvency, notwithstanding any existing or future agreement and except as expressly provided in these Rules, the Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement, the Procedures or a Contract, each Clearing Member

irrevocably waives any and all rights it may have to set off, net, recoup, combine accounts or otherwise withhold or suspend or condition payment or performance of any obligation between the Clearing House and such Clearing Member under these Rules or any Contract against any obligations between the Clearing House and such Clearing Member or any branch or Affiliate of the Clearing House or of such Clearing Member, under any other agreements.

**Rule 304** ***Sponsored Principals and Sponsors***

(a) This Part 3 applies to Sponsored Principals in the same way as it applies to Clearing Members, with the following modifications:

(i) Rule 301(k) does not apply.

(ii) Rule 302(a) does not apply, except for the first two sentences thereof. The Clearing House shall advise each Sponsored Principal (or, if the Sponsor acts as the Sponsored Principal's Representative for purposes of making payments, the Sponsor) of the net amount due to or from the Sponsored Principal in respect of its Individually Segregated Sponsored Account 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:

(A) if the net amount is due to the Clearing House, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from the relevant Nominated Account with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due; and

(B) if the net amount is due to the Sponsored Principal, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Account with the Approved Financial Institution in an amount equal to the amount so due;

(iii) Rule 302(d) does not apply. Various authorities and powers are granted to the Clearing House pursuant to clause 5.2 of the Sponsored Principal Clearing Agreement and clause 5.2 of the Sponsor Agreement for purposes of supporting the payment arrangements set out in this Part 3.

(iv) Rule 302(e) does not apply.

(v) Rule 303 does not permit the Clearing House to exercise rights of set off as between any obligation, right or liability arising in connection with an Individually Segregated Sponsored Account and any between any obligation, right or liability arising in connection with any Customer Account (not being an Individually Segregated Sponsored Account) in respect of which the Sponsored Principal is a Customer.

(vi) If the Sponsor acts as the Sponsored Principal's Representative for purposes of making payments:

(A) any payment made by a Sponsor to the Clearing House in respect of an Individually Segregated Sponsored Account shall discharge by an equivalent amount the obligations of the Sponsored Principal to the Clearing House; and

(B) any payment made to a Sponsor by the Clearing House in respect of an Individually Segregated Sponsored Account shall discharge by an equivalent amount the obligations of the Clearing House to the Sponsored Principal.

(vii) Nothing in this Part 3 requires a Sponsored Principal to transfer Guaranty Fund Contributions to the Clearing House.

**Rule 305** ***National Grid***

Solely in relation to ICE Endex UK Transactions:

(a) the Clearing House may make payments from a Clearing House Account to the Clearing Member of National Grid and make an equivalent debit to a relevant Clearing Member's Nominated Bank Account in accordance with the provisions of TPD X.2.8 of the Network Code or, where it believes that a Cash Call (as defined in the Network Code) is imminently to be made by National Grid in accordance with TPD X of the Network Code, in anticipation of such Cash Call being made, in an amount equal to the amount for which the Clearing House reasonably believes such Cash Call is to be made.

(b) For the avoidance of doubt, there shall be no double recovery as between the Clearing House and National Grid or its Clearing Member of amounts payable under the provisions of these Rules and the Network Code.

## Part 4 Clearing Mechanism

### Rule 401 *Formation of Contracts*

(a) Subject to Rule 403 and Rule 404, two Contracts shall arise automatically, one between the Selling Counterparty and the Clearing House and the other between the Clearing House and the Buying Counterparty (or a single Contract shall arise between the Clearing House and a Buying Counterparty or Selling Counterparty where applicable in the case of Rule 401(a)(vi)), at the moment that:

(i) in the case of any F&O Matched Transaction, the relevant orders are matched on the relevant Market;

(ii) [Not used.];

(iii) in the case of any F&O Block Transaction, the relevant Market receives and has recorded on its system complete data in respect of the Transaction;

(iv) [Not used.];

(v) in the case of Transactions generated by a Market as a result of the operation of its contra trade, error trade, invalid trade, cancelled trade, trade correction, error correction, manifest error or similar policies and rules or procedures relating thereto or otherwise, upon notice of the final terms of the Transaction being received by the Clearing House;

(vi) in the case of a Contract that is formed as a result of another Contract being Invoiced Back by the Clearing House, immediately upon notice of the existence and final terms of the new Contract being given by the Clearing House to the Clearing Member or Sponsored Principal affected;

(vii) in the case of a Contract (including a Contract of Sale) that forms as a result of an Option being exercised in accordance with Part 8, immediately upon such exercise taking effect pursuant to Part 8;

(viii) in the case of an F&O Contract that is allocated by one Clearing Member or a Sponsored Principal to a different Person (such Person receiving the allocation itself also being a Clearing Member or Sponsored Principal) by agreement of both parties subsequent to that F&O Contract arising but on the same day as that on which such Contract arose, upon both such parties having recorded their agreement to such allocation on the Clearing House's systems;

(ix) in the case of a CDS Contract (other than a CDS Contract arising pursuant to Rule 401(1)(xi), the time specified pursuant to the CDS Procedures occurs for the acceptance of CDS Contracts on any day, provided that no such CDS Contract shall arise unless the Clearing House has provided an Acceptance Notice to the Buying Counterparty and Selling Counterparty in accordance with the CDS Procedures in relation to the CDS Contract;

(x) [Not used.];

(xi) in the case of a CDS Contract arising following the submission of end-of-day prices by a CDS Clearing Member pursuant to Rule 503(g), at the time specified by the Clearing House for the entry into of the relevant CDS Contract, provided that (A) the Clearing House has given notice to the relevant CDS Clearing Member of the particulars of the CDS Contract involved and the price or Initial Payment at which such CDS Contract will be recorded on the Clearing House's books and records in accordance with the CDS Procedures; and (B) no such CDS Contract shall arise unless the Clearing House has provided an Acceptance Notice to the Buying Counterparty and Selling Counterparty (each of which are CDS Clearing Members but not Sponsored Principals, acting for one of their Proprietary Accounts) in accordance with the CDS Procedures in relation to the CDS Contract;

(xii) in the case of an FX Contract (other than an FX Contract arising pursuant to Rule 401(a)(vi)), the time specified pursuant to the Procedures occurs for the acceptance of the FX Contract, provided that no such FX Contract shall arise unless the Clearing House has provided an FX Acceptance Notice to the Buying Counterparty and Selling Counterparty in accordance with the Procedures in relation to the FX Contract; and

(xiii) in the case of a Contract arising under Rule 404(c)(i), at the time of execution of relevant documentation or otherwise when a replacement Contract arises in accordance with that provision.

(b) For F&O Contracts only, a Contract or Contracts reversing the existing Contract or Contracts shall arise between the Clearing House and the Buying Counterparty and/or the Clearing House and the Selling Counterparty at the moment that an alternative delivery is agreed in respect of a Contract where, pursuant to the Clearing Procedures and Market Rules, a new collateral contract arises as a result of the alternative delivery being agreed, at the time and subject to the conditions and effects on existing Contracts specified in the Clearing Procedures.

(c) Other than as specifically set out in the CDS Procedures or FX Procedures, the Clearing House shall be entitled to rely conclusively on the accuracy and authenticity of any and all information and data regarding any Transaction submitted to the Clearing House by or on behalf of a Market, Exchange, Repository, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform, Clearing Member, Sponsored Principal, Sponsor or Representative of a Clearing Member, Sponsored Principal or Sponsor or Deriv/SERV, whether or not a Clearing Member, Sponsored Principal, Sponsor or one of their Representatives in fact authorised the submission of such information or the details so submitted.

(d) In the case of a new Contract that forms as a result of another Contract being Invoiced Back pursuant to Rule 401(a)(vi), the new Contract shall be on the same terms as the original Contract, except that the roles of Buying Counterparty and the Clearing House or, as the case may be, the Selling Counterparty and the Clearing House shall be reversed and the

Clearing House shall be entitled, at its discretion, to determine the price or Initial Payment at which the Contract was bought or sold and any delivery or settlement price.

(e) In the case of a Contract that forms as a result of another Contract being subject to allocation pursuant to Rule 401(a)(viii), the new Contract shall be on the same terms as the original Contract, except that the identity of the Clearing Member or Sponsored Principal being the Buying Counterparty or Selling Counterparty shall be different, in accordance with the allocation instructions received by the Clearing House. The Clearing Member that was party to the original Contract and the Clearing House shall each automatically and immediately be released and discharged from all their rights, liabilities and obligations in respect of the original Contract upon formation of the new Contract.

(f) Upon request by the Clearing House, a Buying Counterparty or Selling Counterparty shall promptly confirm or otherwise notify the details of any Contract or Transaction to the Clearing House in such form and manner as the Clearing House requests. Any such confirmation or notification shall not of itself affect the status or terms of any Contract.

(g) Each Clearing Member shall promptly and accurately designate each new Contract (in the case of CDS Contracts through the submission of CDS Trade Particulars, in the case of FX Contracts through the submission of FX Trade Particulars and in the case of F&O Contracts through the ICE Systems) in accordance with Applicable Laws as: (i) related either to its Proprietary Position Account, one of its Customer Position Accounts (if any) or Position Account linked to an Individually Segregated Sponsored Account for which it acts as Sponsor; and (ii) in the case of CDS Contracts as related to a particular CDS Sub-Account or in the case of F&O Contracts or FX Contracts to any relevant sub-account in the ICE Systems. If a Clearing Member or Sponsored Principal becomes aware of any event or circumstance which results in any designation previously made by it under this Rule 401(g) having been incorrect or requiring amendment, it shall provide a further designation to the Clearing House, specifying any required transfers between accounts or sub-accounts which, if acted upon by the Clearing House, would result in any Contract affected by such event or circumstance being correctly designated as for the appropriate Position Account, CDS Sub-Account (if applicable) and sub-account in the ICE Systems (if applicable). Each Clearing Member having a Customer Account shall submit to the Clearing House on a daily basis (or more frequent basis, on request) accurate data on the breakdown of its entire Open Contract Position for each such Customer Account on a per Customer basis. The Clearing House shall be entitled to act and shall (subject, in the case of any transfers, to the requirements of Rule 408(a)) act upon all designations and information submitted by Clearing Members in recording Contracts in Position Accounts, CDS Sub-Accounts or other sub-accounts designated by the Clearing Member or otherwise provided under this Rule 401(g) from time to time, without the need for any further enquiry on the part of the Clearing House.

(h) Where a Clearing Member has appointed a Disclosed Principal Member, the Disclosed Principal Member shall be the Buying Counterparty or the Selling Counterparty (as applicable) instead of the relevant Clearing Member in respect of all Contracts arising under this Rule 401 to which that Clearing Member would, but for the requirements of this

Rule 401(h), otherwise be party. All provisions of these Rules relating to Contracts and Clearing Members shall be construed accordingly.

(i) In order for a Contract to arise pursuant to:

(i) Rule 401(a)(i), (iii), (v), (vii) or (viii); or

(ii) Rule 401(a)(vi) in relation to an Energy Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be an Energy Clearing Member and an F&O Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear Energy and F&O.

(j) In order for a Contract to arise pursuant to:

(i) Rule 401(a)(i), (iii), (v), (vii) or (viii); or

(ii) Rule 401(a)(vi) in relation to a Financials & Softs Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be a Financials & Softs Clearing Member and an F&O Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear Financials & Softs and F&O.

(k) In order for a Contract to arise pursuant to:

(i) Rule 401(a)(ix), (x) or (xi); or

(ii) Rule 401(a)(vi) or 401(a)(xiii) in relation to a CDS Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be an CDS Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear CDS.

(l) In order for a Contract to arise pursuant to:

(i) Rule 401(a)(xii); or

(ii) Rule 401(a)(vi) or Rule 401(a)(xiii) in relation to an FX Contract,

each Clearing Member that is a Buying Counterparty or Selling Counterparty must be an FX Clearing Member and each Sponsored Principal that is a Buying Counterparty or Selling Counterparty must be authorised to clear FX.

(m)

(i) On each occasion that a Contract arises under Rule 401(a), each affected Clearing Member, Sponsored Principal, Customer and the Clearing House, as applicable,

shall ensure that the details of such Contract and/or any related Customer-CM Transaction they have concluded, as the case may be, and any modification or termination of such Contract and/or Customer-CM Transaction, as applicable, is reported to a Repository, in accordance with Applicable Laws, no later than the working day following the conclusion, modification or termination of the Contract, as applicable, and in accordance with any applicable Procedures.

(ii) In the case of an F&O Contract, the relevant Market shall be authorised to submit the terms of the F&O Contract (and any related Customer-CM Transaction) to any Repository as a delegate for the Clearing House, Clearing Member, Sponsored Principal and Customer, as applicable, save where the relevant Clearing Member notifies the Clearing House or Market in writing that it does not require the Market to act as such (whether generally or in respect of particular Customers, Sponsored Principals or kinds of Contract).

(iii) In the case of an FX Contract a submission to a Repository shall include identical terms as the original submission for clearing of the FX Trade Particulars or the FX Contract arising under Rule 401(a)(xii), as applicable, adjusted to take into account any netting and aggregation of FX Contracts pursuant to Rule 406.

(iv) In the case of a CDS Contract:

(A) each affected Clearing Member, Sponsored Principal, Customer and the Clearing House, as applicable, shall ensure that the details of any Transaction, Contract and/or Customer-CM Transaction, are also submitted to Deriv/SERV in accordance with the CDS Procedures;

(B) the submission referred to in (A) above shall include identical terms as the original submission for clearing of the CDS Trade Particulars or the CDS Contract arising under Rule 401(a)(xi), adjusted to take into account netting and aggregation of CDS Contracts pursuant to Rule 406; and

(C) the Clearing House shall be authorised to submit the terms of a Transaction or Contract to Deriv/SERV.

(v) In the case of either a CDS Contract or an FX Contract, the Clearing House shall be authorised to submit the terms of such Contract (and any related Customer-CM Transaction) to any Repository as a delegate for the Clearing Member, Sponsored Principal and Customer, as applicable, save where the relevant Clearing Member notifies the Clearing House in writing that it does not require the Clearing House to act as such (whether generally or in respect of particular Customers, Sponsored Principals or kinds of Contract.)

(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;

(iv) 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 SBS Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for an SBS Customer Account and recorded by the Clearing House in accordance with such designation;

(v) 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

General Customers in respect of F&O Contracts in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a General Customer Account and recorded by the Clearing House in accordance with such designation;

(vi) [Not Used.]

(vii) if it is a Non-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 Segregated Customers acting for their own account in respect of F&O Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Customer Omnibus Account For F&O if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal; or

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(viii) if it is a Non-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 Segregated TTFCA Customers acting for their own account in respect of F&O Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated TTFCA Customer Omnibus Account For F&O if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal; or

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(ix) if it is a Non-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 Segregated Customers acting for their own account in respect of CDS Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Customer Omnibus Account For CDS if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal; or

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(x) if it is a Non-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 Segregated TTFCA Customers acting for their own account in respect of CDS Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated TTFCA Customer Omnibus Account For CDS if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal; or

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xi) if it is a Non-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 Segregated Customers acting for their own account in respect of FX Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Customer Omnibus Account For FX if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal; or

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xii) if it is a Non-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 Segregated TTFCA Customers acting for their own account in respect of FX Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated TTFCA Customer Omnibus Account For FX if the client chooses omnibus account segregation and has not requested use of an Omnibus Margin-flow Co-mingled Account;

(B) an Individually Segregated Sponsored Account if the client chooses individual client segregation and has been admitted to the Clearing House as a Sponsored Principal;

(C) an Individually Segregated Margin-flow Co-mingled Account if the client chooses individual client segregation and has not been admitted to the Clearing House as a Sponsored Principal;

(D) an Omnibus Margin-flow Co-mingled Account if the client chooses omnibus client segregation but requests to do so only as part of a particular group of Customers,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xiii) if it is a Non-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 Segregated Customers which is in turn providing services to one or more Indirect Clients in respect of F&O Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard Omnibus Indirect Account For F&O,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xiv) if it is a Non-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 Segregated TTFCA Customers which is in turn providing services to one or more Indirect Clients in respect of F&O Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard TTFCA Omnibus Indirect Account For F&O,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xv) if it is a Non-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 Segregated Customers which is in turn providing services to one or more Indirect Clients in respect of CDS Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard Omnibus Indirect Account For CDS,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xvi) if it is a Non-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 Segregated TTFCA Customers which is in turn providing services to one or more Indirect Clients in respect of CDS Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard TTFCA Omnibus Indirect Account For CDS,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xvii) if it is a Non-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 Segregated Customers which is in turn providing services to one or more Indirect Clients in respect of FX Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard Omnibus Indirect Account For FX,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation;

(xviii) if it is a Non-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 Segregated TTFCA Customers which is in turn providing services to one or more

Indirect Clients in respect of FX Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

(A) a Segregated Gross Indirect Account, if the Customer has communicated to the Clearing Member that the Indirect Client has elected to use such an account; or

(B) otherwise, a Standard TTFCA Omnibus Indirect Account For FX,

and in either case the Contract shall be recorded by the Clearing House in accordance with such designation; or

(xix) as a clearing member in any other capacity (including where the Clearing Member does not provide any services to any Customer) in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a Proprietary Account of the Clearing Member and recorded by the Clearing House in accordance with such designation.

(q) For the avoidance of doubt, for the purposes of section 187 of the Companies Act 1989, a Clearing Member with more than one Account enters into Contracts recorded in its each such Account in a different capacity to that in which it enters into Contracts recorded in any other Account.

(r) A Contract shall only arise under Rule 401(a)(i) or Rule 401(a)(iii) in relation to an ICE Endex Spot Market Transaction where the relevant user or users elect to trade in a product which is designated by ICE Endex Spot Market as a cleared product.

**Rule 402** ***Relationship between Buying Counterparties, Selling Counterparties and Clearing House***

(a) Save to the extent provided in Part 16 for FCM/BD Clearing Members and Rule 401(h) each Clearing Member or Sponsored Principal that is party to a Contract shall act as principal and not as agent. In performing its obligations and exercising its rights under these Rules, the Clearing House shall treat the entitlement of Clearing Members and Sponsored Principals to rights pursuant to Contracts to be a full legal and beneficial entitlement and not subject to any Encumbrance in favour of any Person other than the Clearing House (other than pursuant to the Contract Terms).

(b) Upon the formation of a Contract in accordance with Rule 401, any Clearing Member or Sponsored Principal that has any Transaction Rights or Obligations in relation to the original Transaction shall be automatically and immediately released and discharged from all and any such Transaction Rights or Obligations other than: (i) any Transaction Rights or Obligations falling due for performance before the formation of such Contract; and (ii) any Transaction Rights or Obligations relating to any Initial Payment under any Bilateral CDS Transaction recorded in Deriv/SERV before submission for Clearing.

(c) The liabilities and obligations of the Clearing House pursuant to Contracts extend only to, and are enforceable only by, Clearing Members and Sponsored Principals. Without

limiting the generality of the foregoing, the Clearing House shall have no liability or obligation whatsoever to any Customer (other than a Sponsored Principal) of a Clearing Member or any client of such a Customer.

(d) The Clearing House shall have no liability or obligation in relation to any Transaction whatsoever, unless and until a Contract arises in accordance with Rule 401 and is not void; in which case its liabilities shall be pursuant to the Contract only. The Clearing House's obligations and liabilities under any Contract shall be limited to those pursuant to the Contract Terms and these Rules, and are subject to the Contract not being void pursuant to Rule 403 and to the Clearing House's rights in relation to voidable Contracts pursuant to Rule 404.

(e) As between the Clearing House and each Clearing Member, all Contracts, these Rules and the relevant Clearing Membership Agreement (and any relevant Sponsor Agreement) are entered into in reliance on the fact that all such documents constitute a single agreement between the Clearing House and such Clearing Member. Were it not for these Rules, the Clearing Membership Agreement and other Contracts, neither the Clearing House nor such Clearing Member would enter into any Contracts with the other. As between the Clearing House and each Sponsored Principal, all Contracts, these Rules and the relevant Sponsored Principal Clearing Agreement are entered into in reliance on the fact that all such documents constitute a single agreement between the Clearing House and such Sponsored Principal. Were it not for these Rules, the Sponsored Principal Clearing Agreement and other Contracts (and the existence of the Sponsor Agreement and designation of the Sponsored Principal as being covered thereunder by the Sponsor) neither the Clearing House nor such Sponsored Principal would enter into any Contracts with the other.

(f) In the case of a Contract between the Clearing House and an FCM/BD Clearing Member that is recorded in a Customer Account, the Contract will remain valid and binding on the FCM/BD Clearing Member, and the FCM/BD Clearing Member will be liable to perform under the Contract as set forth in Part 16, regardless of the validity of any obligations in respect of the Contract to which the Customer is or was intended to be bound.

**Rule 403** ***F&O Contracts that are Void from Inception***

(a) No F&O Contract will arise (it being void *ab initio*) and the Clearing House shall have no obligation or liability to any Person in respect of a Transaction for which incomplete, erroneous or conflicting details are received by the relevant Market.

(b) In the event of an F&O Contract being void:

(i) the Clearing House shall immediately notify the affected Buying Counterparty and Selling Counterparty and any relevant Market;

(ii) all amounts paid pursuant to the purported F&O Contract shall be returned by the affected Buying Counterparty and Selling Counterparty and the Clearing House to their respective contractual counterparties, in each case without interest; and

(iii) any Transaction Rights or Obligations shall be deemed never to have been affected by Rule 402(b).

(c) Nothing in this Rule 403 of itself is intended to result in any Transaction or Transaction Rights or Obligations being void or voided as between the original parties thereto.

**Rule 404** ***Contracts that are Voidable***

(a) In relation only to F&O Contracts, the Clearing House shall have the discretion to avoid any Contract (which is not void *ab initio* pursuant to Rule 403) if the relevant Contract or Transaction (or related information or data received by the Clearing House, as applicable) whether in whole or in part, as against any Clearing Member, Sponsored Principal or Sponsor that is or would be bound thereto:

(i) conflicts or appears to conflict with information received by the Clearing House in relation to such Contract or Transaction from another source, including (without limitation) information received from a Market, Exchange, any other Clearing Member, Sponsored Principal, Sponsor, Governmental Authority or any Representative of any such Person;

(ii) results or appears to result from a manifest error, or communications or information technology error or problem;

(iii) is or appears to be connected with fraud, illegality, insider dealing, market abuse, money laundering or any other breach of Applicable Laws;

(iv) is or appears to be a result of a Force Majeure Event;

(v) is one which any Governmental Authority or any Market requires or requests in writing that the Clearing House treat as void or voided;

(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) or (iv) applies, it may at its discretion avoid the relevant Contract. If the Clearing House exercises its discretion to avoid a Contract or any Contract is otherwise void or voided, the Clearing House may, at its discretion, take action in accordance with this Rule 404(c). Where it does take action under this Rule 404(c), it may take the steps set out in paragraph (i) below or, if that is not reasonably practicable, it may take the steps set out in paragraph (ii) below, in relation to the affected Contract(s):

(i) direct the Buying Counterparty or Selling Counterparty who was counterparty to the void or voided Contract to enter into a replacement Contract of equal economic terms to the void or voided Contract or sign documentation confirming the validity of an existing Contract, in which case the Buying Counterparty or Selling Counterparty in question (and, if it is a Sponsored Principal, its Sponsor) shall forthwith execute or sign such documentation as is directed by the Clearing House, which documentation may contain any terms specified by the Clearing House, in order to establish a replacement Contract as near as possible of equal terms to the Contract that is void or voided or confirm the validity of an existing Contract (and

in the case of a CDS Contract recorded in a Customer Account, the CDS Contract will then stand regardless of whether or not the Customer is bound by any related Customer-CM Transaction or, in the case of an FCM/BD Clearing Member of the existence of any agency or other relationship between the Customer and the Clearing Member in respect of the CDS Contract); or

(ii) enter into such contracts for its own account as it considers necessary for the Clearing House to achieve a balanced book of Contracts, in which case:

(A) the Buying Counterparty or Selling Counterparty who was counterparty to the void or voided Contract shall be liable to pay the Clearing House for all of the Clearing House's costs, expenses and losses incurred in establishing such contracts;

(B) the Clearing House shall be entitled to retain all Margin and Guaranty Fund Contributions of the Buying Counterparty or Selling Counterparty (or, if it is a Sponsored Principal, its Sponsor) in question that would otherwise be returned or returnable to such Buying Counterparty or Selling Counterparty (or, if it is a Sponsored Principal, its Sponsor) as a result of the Contract being voided and apply the same as against any amount due to the Clearing House under Rule 404(c)(ii)(A); and

(C) the Clearing House shall be entitled to call additional Margin from the Buying Counterparty or Selling Counterparty in question from the time at which the Contract is void until the time that the Clearing House has achieved a balanced book and has been reimbursed in respect of all its costs, expenses and losses incurred in establishing such contracts,

provided that, for the avoidance of doubt, any amounts received by the Clearing House in the process of achieving a balanced book which are in excess of its costs, expenses and losses incurred in establishing such contracts will be repayable to the affected Buying Counterparty or Selling Counterparty.

(d) If the Clearing House directs a Buying Counterparty or Selling Counterparty (and, if it is a Sponsored Principal, its Sponsor) to enter into a replacement Contract or sign documentation confirming the validity of an existing Contract under Rule 404(c)(i), any failure by the Buying Counterparty or Selling Counterparty (or, if it is a Sponsored Principal, its Sponsor) to do so or to take the steps set out in Rule 404(e) at or before the time reasonably specified by the Clearing House shall constitute grounds for the Clearing House declaring an Event of Default in respect of the Buying Counterparty or Selling Counterparty (and, if it is a Sponsored Principal, its Sponsor), regardless of any event or circumstance which might (but for this provision) constitute a Force Majeure Event. If a Buying Counterparty or Selling Counterparty (or, if it is a Sponsored Principal, its Sponsor) is restricted or prevented by Applicable Law from entering into or signing a valid replacement Contract or signing documentation confirming the validity of an existing Contract, such restriction or prevention (in conjunction with the failure of the Buying Counterparty or Selling Counterparty (or, if it is a Sponsored Principal, its Sponsor) to

enter into a replacement Contract or sign effective documentation confirming the validity of an existing Contract where directed to do so by the Clearing House pursuant to Rule 404(c)(i) or to take the steps set out in Rule 404(e)) shall of itself constitute grounds for the Clearing House declaring an Event of Default in respect of the Buying Counterparty or Selling Counterparty (or, in the case of a Sponsor which has so failed to perform, such Sponsor), regardless of any event or circumstance which might (but for this provision) constitute a Force Majeure Event.

(e) If, in relation to an F&O Contract, any of the circumstances in Rule 404(a) arises or if, in the case of a CDS Contract or FX Contract only, any of the circumstances set out in Rule 404(b) arises and no replacement Contract is established and the position is not otherwise dealt with pursuant to Rule 404(c), the Clearing House shall immediately notify the affected Buying Counterparty and Selling Counterparty and any relevant Market. Upon such notification:

(i) the Clearing House, Buying Counterparty and Selling Counterparty shall each immediately be released from all rights, liabilities and obligations under any affected Contract;

(ii) the affected Contract shall become null and void;

(iii) all amounts paid pursuant to the Contract shall immediately be returned by the Buying Counterparty, Selling Counterparty and Clearing House to their respective contractual counterparties, in each case without interest;

(iv) in the case of an F&O Contract;

(A) any Transaction Rights or Obligations shall be deemed never to have been affected by Rule 402(b);

(B) each affected Buying Counterparty and Selling Counterparty shall submit, or, as the case may be, resubmit the terms of the Transaction to the relevant Repository (if any); and

(C) each affected Buying Counterparty and Selling Counterparty or the Clearing House, as the case may be, shall cancel any submission to any Repository relating to the voided F&O Contracts made pursuant to Rule 401(m).

(v) in the case of two CDS Contracts (resulting from the same CDS Trade Particulars) being voided in circumstances in which the CDS Trade Particulars reflect a transaction (including any Bilateral CDS Transaction) that is not void or would itself not have been void:

(A) if the CDS Trade Particulars represent a Bilateral CDS Transaction or other transaction that was contractually binding prior to being submitted for Clearing:

(1) the Bilateral CDS Transaction shall be deemed never to have been terminated; and

(2) each affected Buying Counterparty and Selling Counterparty shall submit, or, as the case may be, resubmit the terms of the Bilateral CDS Transaction or other transaction to Deriv/SERV and the relevant Repository;

(B) each affected Buying Counterparty and Selling Counterparty or the Clearing House, as the case may be, shall cancel any submission to Deriv/SERV and the relevant Repository relating to the voided CDS Contracts made pursuant to Rule 401(m); and

(C) any Transaction Rights or Obligations shall be deemed never to have been affected by Rule 402(b), except to the extent that any equivalent obligation under a CDS Contract corresponding to a Transaction Right or Obligation has been performed or part-performed; and

(vi) in the case of two FX Contracts (resulting from the same FX Trade Particulars) being voided in circumstances in which the FX Trade Particulars reflect an FX transaction that is not void or would itself not have been void:

(A) if the FX Trade Particulars represent an FX transaction that was contractually binding prior to being submitted for Clearing:

(1) any such FX transaction shall be deemed never to have been terminated; and

(2) each affected Buying Counterparty and Selling Counterparty shall submit, or, as the case may be, resubmit the terms of such FX transaction to the relevant Repository;

(B) each affected Buying Counterparty and Selling Counterparty or the Clearing House, as the case may be, shall cancel any submission to any Repository relating to the voided FX Contracts made pursuant to Rule 401(m); and

(C) any Transaction Rights or Obligations shall be deemed never to have been affected by Rule 402(b).

(f) Nothing in this Rule 404 of itself is intended to result in any Transaction or Transaction Rights or Obligations being void or voided as between the original parties thereto, except to the extent that any equivalent obligation under a Contract corresponding to a Transaction Right or Obligation has been performed or part-performed.

(g) For the avoidance of doubt, Rules 404(b), (c) and (d) shall only apply to CDS Contracts and FX Contracts and shall not apply to F&O Contracts.

(h) The Clearing House will notify any relevant Market when it avoids a Contract under this Rule 404.

**Rule 405** ***Representations and Warranties on Contract Formation***

(a) In relation to each Contract, the Clearing House will, and will be entitled to, rely on representations and warranties, deemed automatically to arise pursuant to these Rules from each Buying Counterparty and Selling Counterparty proposing to become or becoming party to any Contract, that:

(i) it is in full compliance with the Rules;

(ii) its obligations under the Clearing Membership Agreement and any Sponsor Agreement (or, in the case of a Sponsored Principal, its obligations under the Sponsored Principal Clearing Agreement), any Contract and Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable Insolvency laws or similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law));

(iii) no Event of Default or Potential Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under the Clearing Membership Agreement (or, in the case of a Sponsored Principal, the Sponsored Principal Clearing Agreement), any Contract or any Credit Support Document to which it is a party;

(iv) there is not pending or, to its knowledge, threatened against it or any of its Credit Support Providers any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of the Clearing Membership Agreement (or, in the case of a Sponsored Principal, the Sponsored Principal Clearing Agreement), any Contract or any Credit Support Document to which it is a party or its ability to perform its obligations under the Clearing Membership Agreement, any Sponsor Agreement (or, in the case of a Sponsored Principal, the Sponsored Principal Clearing Agreement), any Contract or such Credit Support Document;

(v) except as expressly provided in Part 16 of the Rules in respect of FCM/BD Clearing Members and Rule 401(h) in respect of Disclosed Principal Members, it is acting for its own account and as principal and not as agent;

(vi) it has made its own independent decisions to enter cleared Contracts and as to whether the entry into of cleared Contracts is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary;

(vii) it is not relying on any communication (written or oral) of the Clearing House as investment advice or as a recommendation to enter into the Contract, it being understood that information and explanations related to the terms and conditions of a Contract will not be considered investment advice or a recommendation to enter into a Contract;

(viii) no communication (written or oral) received from the Clearing House will be deemed to be an assurance or guarantee as to the expected results of that Contract;

(ix) it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Contract and it is also capable of assuming, and assumes, the risks of the Contract;

(x) the Clearing House is not acting as a fiduciary for or an adviser to it in respect of the Contract; and

(xi) if it is a Clearing Member, where the Contract is to be recorded in one of its Customer Accounts or is otherwise related to a Customer-CM Transaction, it acknowledges its obligation in Rule 202(a)(ii) and that compliance with Applicable Laws in the context of entering into Customer transactions includes compliance with Applicable Laws relating to customer due diligence in respect of its Customer and Applicable Laws relating to Sanctions affecting the Customer or any of its Customer's assets (except, if it is a CDS Clearing Member incorporated in Germany or in relation to the Customer Account of any CDS Clearing Member where the Customer is incorporated in Germany, solely to the extent that any obligation, or undertaking, representation or statement contemplated by this Rule 405(a)(xi) would be in conflict with any Applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts).

(b) In relation to each Contract (other than a Contract arising pursuant to Rule 401(a)(v), Rule 401(a)(vi), Rule 401(a)(xi) or Rule 401(a)(xiii)), the Clearing House will, and will be entitled to, rely on representations and warranties, deemed automatically to arise pursuant to these Rules from each Buying Counterparty and Selling Counterparty proposing to become or becoming party to any Contract, that:

(i) the data submitted to the relevant Market, CDS Trade Execution Processing Platform or FX Trade Execution Processing Platform (if applicable) or the Clearing House:

(A) is complete and correct in all respects; and

(B) has been duly authorised by it (including, in connection with a CDS Contract, that any CDS Trade Execution/Processing Platform used by it for the submission of CDS Trade Particulars has been duly authorised by it for the submission of data relating to CDS Trade Particulars in accordance with the CDS Procedures; and, in connection with an FX Contract, that any FX Trade Execution/Processing Platform used by it for the submission of FX

Trade Particulars has been duly authorised by it for the submission of data relating to FX Trade Particulars in accordance with the FX Procedures); and

(ii) Market Rules (if applicable), the CDS Trade Execution/Processing Platform's procedures (if applicable), the FX Trade Execution/Processing Platform's procedures (if applicable) and all Applicable Laws have been complied with by it and any relevant Customer in respect of the Transaction or Participating Exchange Transaction.

(c) In relation to each Contract that arises pursuant to Rule 401(a)(iii), Rule 401(a)(viii), Rule 401(a)(ix) and Rule 401(a)(xii), the Clearing House will, and will be entitled to, rely on representations and warranties deemed automatically to arise pursuant to these Rules from each Buying Counterparty and Selling Counterparty proposing to become or becoming party to any Contract, that:

(i) all and any previously subsisting contracts, rights, obligations or liabilities in connection with the subject matter of the Transaction or proposed Contract are on equal terms to that of the relevant Contract Terms (save as to the parties) and, in the case of rights, are free from all Encumbrances (excluding liabilities and obligations arising pursuant to the Contract Terms); and

(ii) any Person other than the Buying Counterparty and Selling Counterparty to whom any contracts, rights, obligations or liabilities referred to in Rule 405(c)(i) pertain has agreed with it, or such other Person as is relevant, to be released from all of its rights, obligations and liabilities as a result of Contracts arising pursuant to Rule 401(a) (save for any contracts, rights, obligations or liabilities as between the Clearing Member and its Customer (under a Customer-CM Transaction or otherwise) or between any Customer and its customers and so on, in relation to the subject matter of the Contract on a back-to-back basis with a Contract, and further except as provided in Part 16).

(d) Clearing Members will become party to, and liable under, Contracts each and every time a Contract arises from a Transaction as a result of the action or omission of its Representatives, regardless of any circumstance in relation to such Transaction, including without limitation whether the person submitting the Transaction was authorised to do so by the Clearing Member or its Representative or whether the Transaction caused a Representative to exceed the Clearing House's credit or other parameters set for such Representative, a Market's or Exchange's position limits or the Clearing House's Position Limits or otherwise was in breach of the Rules or any of the Clearing Member's or Clearing House's policies, procedures or controls.

(e) When a CDS Contract arises, the Clearing House shall make the warranties and the Buying Counterparty and Selling Counterparty shall make the additional representations and warranties as in each case are set out in the CDS Procedures.

(f) The Clearing House shall be entitled to assume, without enquiry, that at each time at which a Customer-CM Transaction arises, the respective obligations of the Clearing Member and

Customer under such Customer-CM Transaction constitute its legal, valid and binding obligations enforceable in accordance with its terms, subject to applicable Insolvency laws and similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles in general application (regardless of whether enforcement is sought in a proceeding in equity or at law).

**Rule 406** ***Open Contract Positions***

(a) At the end of each Business Day or at such other frequency as the Clearing House determines at its discretion either generally or in respect of any Clearing Member or Sponsored Principal, the Clearing House will calculate Open Contract Positions in its books and records. Settlement or revaluation of Open Contract Positions and Contracts will take place pursuant to the applicable Contract Terms and, for F&O Contracts, through the Clearing Processing System. The Clearing House shall have no obligation to notify any Clearing Member, Sponsored Principal or any other Person of Open Contract Positions or Contracts other than through the Clearing Processing System or otherwise than in accordance with the Rules and the Clearing Procedures.

(b) If an F&O Clearing Member so instructs the Clearing House in accordance with the Clearing Procedures, the Clearing House will net particular buy and sell positions (for a Set of Contracts that are Futures), or Long and Short positions (for a Set of Contracts that are Options) within the Clearing Member's Open Contract Position in respect of one of a Clearing Member's Customer Position Accounts, provided that no buy or sell positions or Long or Short positions in respect of one Customer are to be netted against buy or sell positions or Long or Short positions in respect of another Customer. The Clearing House and relevant Clearing Member will reflect each aggregation and netting under this Rule 406(b) in the records of the relevant Repository (if any) used by each of them.

(c) Subject to its obligations under Rule 406(b), the Clearing House may at its discretion treat any F&O Contract pursuant to which a Clearing Member or Sponsored Principal is the Buying Counterparty and another F&O Contract of the same Set pursuant to which the same Clearing Member or Sponsored Principal is the Selling Counterparty simultaneously as being netted, set off and mutually closed out and terminated upon calculation of the Open Contract Position in respect of such F&O Contracts, subject to the Clearing Member or Sponsored Principal having made all then due payments pursuant to the Contract Terms in respect of such F&O Contracts and to separate treatment of Open Contract Positions in each Proprietary Account and each Customer Account. Where the position as Buying Counterparty is not of the same size as a position a Selling Counterparty, the Contracts in question shall be closed out and terminated in part. For the avoidance of doubt, any contractual netting of F&O Contracts is subject to Rule 102(q) and there shall be separate treatment (and no offsetting and close-out or resulting termination nor any aggregation or consolidation) as between any of: (A) any F&O Contract recorded in a particular Proprietary Account; (B) any F&O Contract recorded in a particular Customer Account or Individually Segregated Sponsored Account; or (C) any two F&O Contracts that are recorded in different Customer Accounts or Individually Segregated Sponsored Accounts. The Clearing House and relevant Clearing Member will reflect each aggregation and

netting under this Rule 406(c) in the records of the relevant Repository (if any) used by each of them.

(d) CDS Clearing Members and Sponsored Principals that clear CDS shall elect in accordance with the CDS Procedures between one of three different methods for the aggregation and netting of CDS Contracts (listed in paragraphs (i) to (iii) below), separately in respect of each of its CDS Sub-Accounts. If a CDS Clearing Member or Sponsored Principal has only one CDS Sub-Account, then only one election under this Rule 406(d) is required. Any aggregation and netting of CDS Contracts pursuant to this Rule 406(d) shall take place pursuant to a novation, through termination of the relevant existing CDS Contract of the same Set or some or all of the relevant existing CDS Contracts of the same Set in the same CDS Sub-Account in consideration for the entry into of a new replacement single CDS Contract replacing those CDS Contracts so being aggregated and/or netted. Such aggregation and netting will take place at the times, and will affect those CDS Contracts, set out in or determined in accordance with the CDS Procedures, which will provide for aggregation and netting in relation to each CDS Sub-Account at least weekly. The Clearing House and relevant CDS Clearing Member or Sponsored Principal will reflect each aggregation and netting under this Rule 406(d) in the records of Deriv/SERV in accordance with the CDS Procedures. Subject to Rule 406(e):

(i) where a CDS Clearing Member or Sponsored Principal elects to manage a CDS Sub-Account on a 'trade by trade' basis, there will be no netting, offsetting, consolidation, aggregation, novation, termination or replacement of CDS Contracts recorded in that CDS Sub-Account;

(ii) where a CDS Clearing Member or Sponsored Principal elects to manage a CDS Sub-Account on a 'gross' basis:

(A) there shall be no regular netting or offsetting of CDS Contracts recorded in that CDS Sub-Account;

(B) CDS Contracts recorded in that CDS Sub-Account, to the extent they are in the same Set and where the CDS Clearing Member or Sponsored Principal acts as Buying Counterparty, will, by operation of this provision, be aggregated, terminated and replaced by a single CDS Contract at the relevant times specified in this Rule 406(d), with a Floating Rate Payer Calculation Amount equal to the total of the Floating Rate Payer Calculation Amounts of those CDS Contracts; and

(C) CDS Contracts recorded in that CDS Sub-Account, to the extent they are in the same Set and where the CDS Clearing Member or Sponsored Principal acts as Selling Counterparty, will, by operation of this provision, be aggregated, terminated and replaced by a single CDS Contract, being a different CDS Contract to the CDS Contract referred to in Rule 406(d)(ii)(B), at the relevant times specified in this Rule 406(d), with a Floating Rate Payer Calculation Amount equal to the total of the Floating Rate Payer Calculation Amounts of those CDS Contracts;

(iii) where a CDS Clearing Member or Sponsored Principal elects to manage a CDS Sub-Account on a 'net' basis, CDS Contracts recorded in that CDS Sub-Account, to the extent they are in the same Set, will, by operation of this provision, be terminated and replaced by a single CDS Contract, at the relevant times specified in this Rule 406(d), with a Floating Rate Payer Calculation Amount equal to the net of the Floating Rate Payer Calculation Amounts of those CDS Contracts;

(iv) where a CDS Clearing Member or Sponsored Principal makes no election in respect of a CDS Sub-Account linked to one of its Proprietary Accounts, it shall be deemed to have elected to manage that CDS Sub-Account on a 'net' basis and Rule 406(d)(iii) shall apply; and

(v) where there is no election made in respect of a CDS Sub-Account linked to a Customer Account or an Individually Segregated Sponsored Account, the CDS Clearing Member or Sponsored Principal shall be deemed to have elected that such CDS Sub-Account will be managed on a 'trade by trade' basis and Rule 406(d)(i) shall apply.

(e) Notwithstanding Rule 406(d), but without prejudice to Rule 102(q):

(i) following an Applicable Credit Event, the Clearing House shall be entitled to aggregate, consolidate, set off, close out and terminate CDS Contracts (as applicable) to result in one or more CDS Contracts per Set regardless of the election in Rule 406(d), to the extent permitted under these Rules and the CDS Procedures;

(ii) if a CDS Contract becomes a self-referencing CDS Contract (in the circumstances further detailed in the Procedures), the Clearing House shall be entitled to set off, close out and terminate CDS Contracts (as applicable) to result in one or more CDS Contracts per Set regardless of the election in Rule 406(d), to the extent permitted under the Rules and CDS Procedures;

(iii) following an Event of Default, Part 9 of the Rules shall prevail and apply in relation to all matters concerning aggregation, consolidation, set off, closing out and termination of Contracts;

(iv) for the avoidance of doubt, Rule 406(d) is subject to Rule 102(q) and there shall be separate treatment (and no offsetting and close-out or resulting termination nor any aggregation or consolidation) as between any of: (A) any CDS Contract recorded in a Proprietary Account; (B) any CDS Contract recorded in a particular Customer Account or Individually Segregated Sponsored Account; or (C) any CDS Contract recorded in a different Customer Account or Individually Segregated Sponsored Account;

(v) an election under Rule 406(d)(i) or Rule 406(d)(ii) shall not prevent a CDS Clearing Member or Sponsored Principal from requesting on an *ad hoc* basis that the Clearing House net, set off, consolidate or aggregate any particular CDS Contracts (or parts of any CDS Contracts) in a manner that would be permitted under Rule 406(d)(iii) (if that Rule were applicable to the relevant CDS Sub-

Account) nor shall it prevent the Clearing House from accepting any such request (and the Clearing House shall not unreasonably withhold or delay its consent to any such *ad hoc* netting, set off, consolidation or aggregation);

(vi) Rule 406(d) does not affect the definition or calculation of the Open Contract Position of a CDS Clearing Member or Sponsored Principal, nor does it affect any Margin or Guaranty Fund Contribution requirements applicable to a CDS Clearing Member, Sponsor or Sponsored Principal which shall at all times to the extent that the same are based upon parameters relating to Contracts be based upon the Open Contract Position in each Set, notwithstanding the gross CDS Contracts to which a CDS Clearing Member or Sponsored Principal is party or elections in relation to CDS Sub-Accounts;

(vii) if the records of trades in Deriv/SERV or a Repository do not reflect the CDS Contracts to which a CDS Clearing Member or Sponsored Principal and the Clearing House are party, then the CDS Clearing Member or Sponsored Principal and the Clearing House will together correct the records of Deriv/SERV or the relevant Repository accordingly; and

(viii) where Rule 406(d)(ii) or Rule 406(d)(iii) applies to a CDS Sub-Account, Fixed Amounts for the CDS Contracts recorded in that CDS Sub-Account shall be calculated on the basis of the average Floating Rate Payer Calculation Amounts for the affected period.

(f) There shall be no regular contractual netting or aggregation of FX Contracts. FX Contracts will be recorded separately and on a gross basis in all Accounts. Notwithstanding this Rule 406(f):

(i) following an Event of Default, Part 9 of the Rules shall prevail and apply in relation to all matters concerning aggregation, consolidation, set off, closing out and termination of Contracts;

(ii) Rule 406(f) does not affect the definition or calculation of any Margin or Guaranty Fund Contribution requirements applicable to an FX Clearing Member or Sponsored Principal that clears FX;

(iii) Rule 406(f) does not prevent the netting and offset of an FX Contract against another FX Contract, if the second FX Contract arose as a result of the Invoicing Back of the first FX Contract by the Clearing House under Rule 104;

(iv) for the avoidance of doubt, any contractual netting of FX Contracts is subject to Rule 102(q) and there shall be separate treatment (and no offsetting and close-out or resulting termination nor any aggregation or consolidation) as between any of: (A) any FX Contract recorded in a particular Proprietary Account of the Clearing Member; (B) any FX Contract recorded in a particular Customer Account or Individually Segregated Sponsored Account; or (C) any FX Contract recorded in a different Customer Account or Individually Segregated Sponsored Account;

(v) if the Clearing House nets and offsets or combines and replaces any opposite FX Contracts (or any part of an FX Contract) of a Defaulter pursuant to Rule 902 to Rule 907, then the Clearing House shall be entitled to net and offset or combine and replace up to an equal amount of FX Contracts (or any part of an FX Contract) of other Clearing Members or Sponsored Principals (which are not Defaulters) of the same Set as those FX Contracts of the Defaulter that were netted and offset or combined and replaced, and upon any such netting and offsetting or combination and replacement being notified by the Clearing House to a Clearing Member or Sponsored Principal, the FX Contracts to which the netting and offsetting or combination and replacement applies shall automatically be terminated (and, in the case of a combination or partial offset, replaced with a new FX Contract) without need for any further action on the part of any Person, provided that:

(A) the Clearing House shall only net or offset two or more Financially-Settled FX Contracts of a Clearing Member or Sponsored Principal that is not a Defaulter, in whole or in part, where such Financially-Settled FX Contracts are in the same Set and the Clearing Member or Sponsored Principal in question is Reference Currency Buyer under one of the Financially-Settled FX Contracts and Reference Currency Seller under the other Financially-Settled FX Contract;

(B) the Clearing House shall only combine and replace two or more Financially-Settled FX Contracts (or parts thereof) of a Clearing Member or Sponsored Principal that is not a Defaulter:

(1) if the Clearing Member or Sponsored Principal is Reference Currency Buyer under one of the Financially-Settled FX Contracts in respect of a particular currency and Reference Currency Seller under the other Financially-Settled FX Contract in respect of the same currency, and those two Financially-Settled FX Contracts have the same FX Settlement Date; and

(2) if the replacement FX Contract is also a Financially-Settled FX Contract, with the obligations and rights of the Clearing Member or Sponsored Principal referring to the two currencies of the original FX Contracts (which were not the same), but with the same FX Settlement Date as the original FX Contracts and based on obligations with reference to the two remaining currencies as stood under the original FX Contracts; and

(C) the Clearing Members or Sponsored Principals to which any netting, offsetting, combination or replacement applies shall be selected by the Clearing House based on an objective, automated selection process; and

(vi) the Clearing House and relevant FX Clearing Member or Sponsored Principal will reflect each aggregation and netting in the records of the Repository in which the FX Contract is recorded.

(g) All Intellectual Property in data relating to Transactions, Contracts and Open Contract Positions provided to the Clearing House under these Rules or generated by the Clearing House shall be the property of the Clearing House (except as otherwise agreed with a Market and that, in relation to CDS Contracts or FX Contracts, this shall be subject to any provision to the contrary in any agreement in writing between the Clearing House and a CDS Clearing Member or FX Clearing Member, respectively). Such data may be provided by the Clearing House to Deriv/SERV and any Market, Exchange, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform, Repository or any member of the ICE Group and used by the Clearing House or such other Persons for any commercial or other purpose, subject in each case to the restrictions in Rule 106. Each Clearing Member's, Sponsor's, Sponsored Principal's and Customer's rights in such Intellectual Property shall be automatically assigned to the Clearing House by virtue of this provision as such rights arise. This Rule 406(g) is subject, in relation to CDS Clearing and FX Clearing, to any further restrictions in any agreement in writing between the Clearing House and a CDS Clearing Member or FX Clearing Member, as the case may be.

**Rule 407** ***Reporting of Open Contract Positions Carried by Other Clearing Members***

If an F&O Clearing Member or Sponsored Principal (for the purposes of this Rule 407 only, the "**Position Giver**") has Customer or proprietary positions in respect of any Contract carried for it in a Customer Account of another F&O Clearing Member (for the purposes of this Rule 407 only, the "**Position Holder**"), the Position Giver shall give written notice to the Clearing House of the name of the Position Holder and the extent of its position on the Business Day following the Business Day on which a position was carried by the Position Holder.

**Rule 408** ***Transfer of Contracts***

(a) No Person other than the Clearing House shall be entitled to assign, allocate or transfer, or create any Encumbrance whatsoever in relation to, any of its rights, liabilities or obligations under a Contract or the Rules except:

(i) that all rights and obligations of a Clearing Member or Sponsored Principal pursuant to a Contract may be transferred, novated or terminated and replaced from one Clearing Member or Sponsored Principal to another Clearing Member or Sponsored Principal with the agreement of each of the two Clearing Members (or any Sponsored Principal taking the place of any Clearing Member) involved (and, if required under Applicable Law for Open Contract Positions in a Customer Account, the consent of the relevant Customers), and the consent of the Clearing House and relevant Market (if any), subject to such conditions as the Clearing House at its discretion stipulates and, in relation to CDS Contracts, subject to the requirements set out in the CDS Procedures;

(ii) as a result of an allocation resulting in a Clearing Member or Sponsored Principal being the 'Buying Counterparty' or 'Selling Counterparty' as such terms are defined in Rule 101;

(iii) as a result of an allocation pursuant to Rule 401(a)(viii);

(iv) [Not used.]; or

(v) as a result of a Transfer of Contracts pursuant to Rule 904.

(b) Any purported transfer of any rights, liabilities or obligations under a Contract or the Rules other than in accordance with Rule 408(a) shall be null and void.

**Rule 409** ***Amendment of Contract Terms***

(a) The terms of any Contract may only be amended, waived or varied with the prior written consent of the Clearing House.

**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 Original Margin or Margin under Rule 502(g) for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and each Customer Account for each Clearing Member in accordance with the Finance Procedures.

(c) Variation Margin, FX Mark-to-Market Margin and Mark-to-Market Margin payments may be made by the Clearing House or a Clearing Member only in cash in the Eligible Currency in which the Contract in question is to be or can be settled (for F&O Contracts), which is the settlement currency (for CDS Contracts) pursuant to the Contract Terms or which is specified as the FX Mark-to-Market Margin currency for the relevant Set (for FX Contracts) (save where the Finance Procedures require otherwise).

(d) Details of Eligible Currencies and other Permitted Cover that may be used to satisfy Margin obligations will be notified to Clearing Members from time to time by a Circular. The Clearing House may, at its discretion, vary or alter the standard Margin requirements, nature or types of acceptable Eligible Currencies and Permitted Cover, specify proportions or maximum proportions of cash or asset classes to be provided as Margin or modify any valuation procedures or haircuts set out in or established pursuant to the Finance Procedures, Circulars or any risk policies. Any general changes to requirements for Margin or Permitted Cover will be notified to Clearing Members by a Circular.

(e) Certain classes of Permitted Cover may be subject to haircuts in accordance with the Finance Procedures (as specified from time to time by Circular) pursuant to which certain classes of Permitted Cover do not count for their full face or market value in the determination of Margin for the account of a Clearing Member. For the avoidance of doubt, this Rule 502(e) shall apply to any haircuts imposed pursuant to clause 2.9 of the Pledged Collateral Addendum.

(f) The Clearing House may require a Clearing Member or Clearing Members to transfer cash in other Eligible Currencies or Permitted Cover with the Clearing House in substitution for any Permitted Cover already transferred to the Clearing House.

(g) The Clearing House may impose, amend or withdraw additional Margin requirements in respect of any Clearing Member at any time and at its discretion.

(h) The Clearing House may designate by Circular or Rule that a Proprietary Margin Account or Customer Margin Account or any sub-account of such an account of a Clearing Member shall be a Pledged Collateral Account and consequently that all or any part of the Margin (or Permitted Cover in respect thereof) to be provided to the Clearing House with respect to such account may be provided by way of Pledged Collateral. In the absence of such express designation, a Proprietary Margin Account or Customer Margin Account will not be a Pledged Collateral Account. The Clearing House undertakes in favour of each Clearing Member that has executed a Pledged Collateral Addendum (which remains valid and effective and which has not been terminated or rescinded) that the Clearing House will not redesignate any of such Clearing Member's Accounts or any sub-account thereof which is a Pledged Collateral Account as not being a Pledged Collateral Account (without the consent of the Clearing Member) or otherwise in such a way as would cause the Clearing Member to breach any Applicable Law or would affect the characterisation of the Margin in such Account as being provided by the relevant Clearing Member by way of pledge (in the case of a Pledged Collateral Addendum governed by New York and U.S. law) or security financial collateral arrangement (in the case of a Pledged Collateral Addendum governed by English law) pursuant to the Pledged Collateral Addendum.

(i) Any Pledged Collateral recorded in a Pledged Collateral Account is transferred to the Clearing House as contingent cover for Margin on the basis that it may only be applied by the Clearing House in accordance with the terms of the Pledged Collateral Addendum: (i)(A) following an Event of Default pursuant to Rule 905 and Rule 906 as cover for Margin against a liability of the Clearing Member relating to the relevant Account of the Pledged Collateral Account (provided that the value of any Pledged Collateral returned directly to a Clearing Member or any Person on such Clearing Member's behalf will be excluded from the calculation of any relevant net sum); and (B) only to the extent that such applied amount is required to be included in the net sum calculation to ensure that the net sum for the relevant Account of the Pledged Collateral Account would not represent an amount payable by the Defaulter to the Clearing House; or (ii) pursuant to the Default Portability Rules. In any such circumstances, it will be applied by virtue of amounts representing the proceeds of Pledged Collateral being included in amount *M* of the relevant net sum pursuant to Rule 906(a). Any Pledged Collateral not applied in accordance with this provision and which is not transferred to a Transferee Clearing Member in accordance with Part 9 of the Rules shall be returned to the relevant Clearing Member or other payee as permitted under Part 9 of the Rules, as a result of such Clearing Member's, or other payee's entitlements to such Pledged Collateral and not as part of the net sum process arising pursuant to Part 9 of the Rules. Any such return by the Clearing House of Pledged Collateral outside of the net sum calculation shall discharge and satisfy in full the Clearing House's obligations to return such Pledged Collateral to the Clearing Member by the payee and all of their Customers and no Person shall have any further claim against the Clearing House in respect of such Pledged Collateral. To the extent any Pledged Collateral is, or is required under Applicable Law to be, returned to a Defaulter, it shall be returned separately from any net sum certified by the Clearing House pursuant to Rule 906.

(j) Without limiting Rule 111, but subject to any contrary requirements of law: the Clearing House shall not be liable to any Clearing Member's Customer or other Person for any losses, liabilities, damages, costs, claims, shortfalls or expenses arising out of or relating

to the holding of any Pledged Collateral or the assets in any Pledged Collateral Account ("**Custodial Losses**"), except to the extent such Custodial Losses result from the gross negligence or wilful misconduct of the Clearing House. The Clearing House shall have no responsibility for any investment decisions made or directed by a Clearing Member (or any Representative thereof) with respect to assets representing Pledged Collateral or for the results of any such investments. The Clearing House shall be under no obligation to inquire into, and shall be fully protected in relying on, any requests, instructions or directions with respect to Pledged Collateral or the assets in any Pledged Collateral Account under these Rules received from a Person the Clearing House believes to be authorised to act on behalf of the appropriate Clearing Member.

(k) Changes to the matters described in Rules 502(d) and (e) above, including assets eligible as Margin or Permitted Cover and the haircuts established with respect thereto, will be based on an analysis of appropriate factors as determined by the Clearing House, including historical and implied price volatility of such assets, current and anticipated conditions in the market for those assets, spreads and correlations between relevant assets, liquidity in the trading market for those assets, composition of the relevant market, default risk (including sovereign risk) with respect to those assets, relevant foreign exchange market conditions and other relevant information.

**Rule 503** ***Margin Calls and Return of Surplus Collateral***

(a) Margin shall be and become due and payable at the times specified by the Clearing House pursuant to Rule 302.

(b) Regular Margin calculations will be made by the Clearing House on each Business Day. Any such calculation may result in a call for additional Permitted Cover pursuant to Part 3.

(c) The Clearing House shall be entitled, at its discretion, to make an intra-day call for Margin or any other amount payable to it. In the event of such a call being made, the Clearing House will:

(i) give notice to each Clearing Member which is required to make payment to the Clearing House of the amount payable by such Clearing Member and time by which payment must be made; and

(ii) immediately after giving or making reasonable efforts to give the notice described in Rule 503(c)(i), instruct the relevant Approved Financial Institution to transfer funds equal to the amount due to the Clearing House from the account of such Clearing Member to an account of the Clearing House.

(d) For regular calls relating to F&O Contracts, Margin shall be calculated with reference to a Clearing Member's Open Contract Position in accordance with the Finance Procedures. For any intra-day Margin call relating to F&O Contracts, Margin shall be calculated with reference to a Clearing Member's Open Contract Position (which includes in relation to the Customer Account where positions are held in gross in accordance with the Clearing Procedures, the net additional exposure relating to any Contracts held gross which have

not been contractually netted or aggregated in accordance with Rule 406) in accordance with the Finance Procedures.

(e) The amount of Variation Margin for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and each Customer Account for each Clearing Member in accordance with the Finance Procedures. Each such Variation Margin call shall be:

(i) in the case of F&O Contracts reflected in a net or aggregated Open Contract Position, based on the Exchange Delivery Settlement Prices at which Open Contract Positions in F&O Contracts are recorded on the Clearing House's books; and

(ii) in the case of F&O Contracts not yet reflected in a net or aggregated Open Contract Position, represented by the difference between the Exchange Delivery Settlement Price and the price at which each such F&O Contract was bought or sold; provided, however, that in the case of any F&O Contract based on an index, the amount of the final Variation Margin payment shall be determined as specified in the rules of the Exchange on which the index is based.

(f) Regular calls for Margin in respect of CDS Contracts will be made following the close of business on each Business Day as follows and in accordance with the Finance Procedures:

(i) For Initial Margin (including Physical Settlement Margin) calls, the Clearing House shall calculate net amounts as due to or from the Clearing House from or to each CDS Clearing Member separately in respect of its Proprietary Margin Account and relevant Customer Margin Account (if any). Such amounts shall in each case be calculated in accordance with the risk policies of the Clearing House based on the difference between the CDS Clearing Member's requirement for Initial Margin and Physical Settlement Margin and the value attributed by the Clearing House to assets accounted for by the Clearing House as Margin of that category, in accordance with the Finance Procedures. Additional amounts in respect of Physical Settlement Margin may also be required pursuant to the CDS Procedures or Rule 502(g).

(ii) For Mark-to-Market Margin calls, each currency in which a CDS Contract is denominated is treated as a separate category (each, a "**Mark-to-Market Margin Category**"). For each Mark-to-Market Margin Category of a CDS Clearing Member, the Clearing House shall calculate net amounts as due to or from the Clearing House from or to each CDS Clearing Member separately in respect of its Proprietary Margin Account and Customer Margin Account (if any) based on the change in Mark-to-Market Price from the last time at which a Mark-to-Market Margin call was made, in accordance with the Finance Procedures.

(g) The "**Mark-to-Market Price**", for CDS Contracts of a Set at any time is the price, determined by the Clearing House in accordance with the Finance Procedures and calculated in accordance with its risk policies. To aid in the establishment of Mark-to-Market Prices, Clearing Members are required to submit end-of-day prices relating to Sets

of CDS Contracts. In connection with the Clearing services provided by the Clearing House and as detailed in the CDS Procedures, the submission of end-of-day prices relating to CDS Contracts may, on the day of price submission only, result in a CDS Contract arising pursuant to Rule 401(a)(xi).

(h) For regular and intra-day Margin calls relating to FX Contracts, Margin shall be calculated with reference to the FX Contracts to which the Clearing Member is party, in accordance with the Procedures.

(i) The amount of FX Mark-to-Market Margin for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and Customer Account in accordance with the Procedures. Each such FX Mark-to-Market Margin call shall be based on changes to the mark-to-market values for FX Contracts and exchange rates from the last time at which a call for FX Mark-to-Market Margin was made in accordance with Part 17 of the Rules and the Procedures.

(j) The Clearing House shall return to a Clearing Member or Sponsored Principal the amount of any Surplus Collateral, provided that the Clearing House receives a request for such a release from such Clearing Member or Sponsored Principal prior to such time as may be specified by the Clearing House for the day on which such release is to be made or pursuant to standing instructions for the return of Surplus Collateral, as the same may be established or amended in accordance with the Finance Procedures, such returns to be made in accordance with Rule 302 and the Finance Procedures.

(k) To the extent that the Clearing House permits the usage of more than one class of Permitted Cover in respect of Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts, each Non-FCM/BD Clearing Member with more than one Margin-flow Co-mingled Account or Segregated Gross Indirect Account using the same position-keeping account will report to the Clearing House immediately on each occasion that there is a transfer of any Permitted Cover to or from the Clearing House in respect of such Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts, other than in connection with a call or return of cash Margin under Rule 303, in the form and manner required by the Clearing House from time to time. Each such Permitted Cover report shall specify the exact total amount of cash of each Eligible Currency and notional amounts of Permitted Cover in the form of securities of each ISIN transferred to or withdrawn from each Margin-flow Co-mingled Account or Segregated Gross Indirect Account. The total nominal amounts of assets in such Permitted Cover reports, in order to be valid, must completely reconcile with Clearing House records of the total nominal amounts of Permitted Cover transferred to or withdrawn from the Clearing House in respect of all relevant Margin-flow Co-mingled Accounts or Segregated Gross Indirect Accounts of the Clearing Member, but the Clearing House shall be under no obligation to check or verify any such report. Valid Permitted Cover reports under this Rule 503(k) may be definitively relied upon by the Clearing House. If at any time the Clearing House is not in receipt of a valid Permitted Cover report required under this Rule 503(k), each Margin-flow Co-mingled Account or Segregated Gross Indirect Account, in respect of which the Clearing Member has failed to provide a valid Permitted Cover report, shall be deemed to have recorded in it a *pro rata* share of each class of Permitted Cover transferred to the Clearing

House, or have withdrawn from it a *pro rata* share of each class of Permitted Cover withdrawn from the Clearing House, with *pro rata* shares based upon the Margin requirements for each Margin-flow Co-mingled Account or Segregated Gross Indirect Account as determined based on the Clearing House's Position Accounts.

**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 Accounts for FX only contain cash where the corresponding cash claim or receivable in the hands of the Clearing Member is treated by the Clearing Member as a client money claim or receivable and only contain non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was entitled to treat as client assets prior to their transfer to the Clearing House;

(B) each of its Individually Segregated Sponsored Accounts, Margin-flow Co-mingled Accounts and Segregated Gross Indirect Accounts in respect of which a letter has been delivered to the Clearing House pursuant to Rule 102(q)(viii) only contain cash where the corresponding cash claim or receivable in the hands of the Clearing Member is treated by the Clearing Member as a client money claim or receivable and only contain non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was entitled to treat as client assets prior to their transfer to the Clearing House; and

(C) none of its Customer Accounts or Proprietary Accounts other than such Accounts as are mentioned in paragraphs (A) or (B) contain any cash where the corresponding cash claim or receivable in the hands of the Clearing Member is required to be treated by the Clearing Member as a client money claim or receivable nor contain any non-cash assets (resulting from a transfer into the account by the Clearing Member) which the Clearing Member was required to treat as client assets prior to their transfer to the Clearing House.

(d) The Clearing Member shall be liable to the Clearing House for any cost or liability incurred by the Clearing House as a result of the Clearing House possessing, holding, perfecting the title (or, in the case of Pledged Collateral, perfecting its security interest) to or otherwise being associated with, any asset provided to it by that Clearing Member by way of Margin.

(e) Where a Clearing Member has appointed a Disclosed Principal Member, any obligation to transfer Margin (or any other amount, payment or performance) of a Clearing Member to the Clearing House shall be construed as an obligation of the Disclosed Principal Member and any right to receive Margin (or any other amount, payment or performance) from the Clearing House shall be construed as a right of the Disclosed Principal Member and all other provisions of these Rules relating to Margin, payments and performance shall be construed accordingly.

(f) Each Non-FCM/BD Clearing Member shall require and receive Customer-CM Collateral from its Customers or fund such Permitted Cover only in such a manner as is consistent with these Rules and the relevant Standard Terms and in a manner which allows the

Clearing Member to transfer Permitted Cover to the Clearing House in accordance with its obligations under the Clearing Membership Agreement and these Rules.

(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 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 6 Position Limits

### Rule 601 *Establishment of Position Limits*

(a) The Clearing House will be entitled at its discretion to establish, amend or revoke Position Limits for Clearing Members or in respect of particular Accounts. The Clearing House may or may not inform Clearing Members of their Position Limits.

(b) The Position Limit for each Clearing Member and Account will be determined at the Clearing House's discretion and may take into account the Clearing House's evaluation of the financial and operational capacity of the Clearing Member and such other factors as the Clearing House at its discretion deems appropriate.

(c) If a Clearing Member is not notified of a Position Limit for an Account, particular Set of Contracts or broader group of Contracts, it may assume that there is no such Position Limit in place (and shall not be treated as having breached any Position Limit) until such time as the Clearing House notifies it of the Position Limit. Any finding of breach of a Position Limit by the Clearing House may only be prospective and not retrospective with respect to the time of notification to the Clearing Member of the Position Limit.

### Rule 602 *Breach of Position Limit*

(a) If a Clearing Member exceeds its Position Limit, the Clearing House may, at its discretion:

(i) require a Clearing Member to provide information to the Clearing House in respect of any of its positions;

(ii) require a Clearing Member to allocate, transfer or terminate such Contracts or close out its Open Contract Position in any affected Account to the extent necessary to reduce its Open Contract Position so as to meet its Position Limit within such time as the Clearing House may prescribe;

(iii) communicate with a Market to request that any orders on that Market may be withdrawn;

(iv) make an additional call for such Margin as the Clearing House in its discretion determines; and/or

(v) impose such additional Capital requirements on the Clearing Member as the Clearing House in its discretion determines.

(b) If the Clearing Member fails to comply with any requirement imposed on it pursuant to Rule 602(a), the Clearing Member shall be in breach of these Rules and, without limitation, the Clearing House may, at its discretion, in respect of the Clearing Member concerned:

(i) declare an Event of Default;

(ii) terminate or suspend membership of the Clearing Member;

(iii) terminate such Contracts as the Clearing House at its discretion selects on behalf of the Clearing Member;

(iv) instigate an investigation or disciplinary proceedings under Part 10 of the Rules; and/or

(v) impose such other requirements on the Clearing Member as it sees fit.

(c)

(i) A Clearing Member shall be deemed not to have exceeded a Position Limit (for purposes of Rules 602(a)(ii) and (v) and Rule 204(a)(ii) only) to the extent that such Position Limit is exceeded as a result of it being party to any Contract arising pursuant to any of Rule 401(a)(v), (vi), (xi) or (xiii) which was entered into: (A) 5 or fewer Business Days prior to the date of determination by the Clearing House that a Position Limit has been exceeded; or (B) 5 or fewer Business Days prior to the relevant Set becoming ineligible for Clearing (provided that if the relevant Set later becomes eligible for Clearing again, this paragraph (B) shall cease to apply 5 Business Days after the Set has so become eligible for Clearing) (or, in either case (A) or (B), as a result of any Open Contract Position or Contract reflecting any such Contract). Consequently, where a Clearing Member is party to any such Contract, the existence of the Contract will be disregarded in calculating the position of the Clearing Member that is used for purposes of determining the availability of the Clearing House's powers under Rule 602(a)(ii) or (v) or the applicability of a notification requirement under Rule 204(a)(ii) and instead the position of the Clearing Member excluding each disregarded Contract will be used for the purposes of such determinations.

(ii) A Clearing Member shall be deemed not to have breached a requirement imposed on it pursuant to Rule 602(a)(ii) to the extent that such a requirement is breached as a result of it being party to any Contract arising pursuant to any of Rule 401(a)(v), (vi), (x), (xi) or (xiii) which was entered into: (A) at any time after the requirement was imposed; (B) 5 or fewer Business Days prior to the requirement being imposed; or (C) 5 or fewer Business Days prior to the Set becoming ineligible for Clearing (provided that if the relevant Set later becomes eligible for Clearing again, this paragraph (C) shall cease to apply 5 Business Days after the Set has so become eligible for Clearing) (or, in any such case (A), (B), or (C), as a result of any Open Contract Position or Contract reflecting any such Contract). Consequently, where a Clearing Member is party to any such Contract, the existence of the Contract will be disregarded for purposes of determining any breach of a requirement under Rule 602(a)(ii) and instead the position of the Clearing Member excluding each disregarded Contract will be used for the purposes of any such determination.

(iii) Nothing in this Rule 602(c) shall restrict the taking by the Clearing House of any action under Rule 602(a)(i) or (iv), which it may do without regard to the nature of Contracts making up any Open Contract Position.

**Rule 603** ***Sponsored Principals***

(a) This Part 6 applies to Sponsored Principals in the same way as it applies to Clearing Members.

## 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) 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 price at which Open Contract Positions were last recorded on the Clearing House's books and the Exchange Delivery Settlement Price or, 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 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) Without prejudice to any contractual netting under Rule 406 or the Clearing Procedures, the Clearing House and each Clearing Member shall make cash settlement and delivery only for such number of Contracts as are reflected in the Clearing Member's Open Contract Position 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 *Determination of Exchange Delivery Settlement Price for Options*

(a) The Clearing House will specify the Exchange Delivery Settlement Price for any Option Set.

(b) The 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 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 802(c) will be communicated to Clearing Members.

### Rule 803 *Exercise of Options*

(a) An Option Contract may be exercised only if permitted by the applicable Contract Terms. An Option Contract may be exercised only by a Clearing Member with a Long Open Contract Position or by the Clearing House in respect of a Contract in which it is Long.

Option Contracts may only be exercised by a Clearing Member for any Option Set for such number of Contracts as are reflected in the Clearing Member's Open Contract Position, plus any other Option Contracts entered into on the same day as the exercise date, separately for each of the positions on 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).

(b) Any exercise of an Option Contract shall be in accordance with the applicable Contract Terms. In particular, an Option Contract shall only be exercised:

(i) if it is an Option Contract which in accordance with the applicable Contract Terms is automatically exercised, in which case it will be automatically exercised at the time and in the manner specified in the Contract Terms; or

(ii) if it is an Option Contract not falling in Rule 803(b)(i), at such time as is permitted pursuant to the applicable Contract Terms (whether on the day and by the time prescribed by the applicable Contract Terms or in such period as is prescribed by the applicable Contract Terms) and in such form and manner as is permitted pursuant to the Contract Terms and the Clearing Procedures (including, where permitted, by manual exercise or the establishment of settings in the Clearing House's systems for the exercise of Options).

(c) A Long Option Contract may be abandoned by notice to the Clearing House in writing or such other form as is permitted pursuant to the Clearing Procedures or Contract Terms.

(d) The Clearing House shall be entitled to rely upon any form or electronic communication purporting to give notice of exercise or abandonment of an Option made in accordance with these Rules without any enquiry as to:

(i) whether such form or electronic communication complies with the Contract Terms or the requirements of the Clearing Procedures; or

(ii) as to the authority of any Representative purporting to exercise an Option on behalf of a Clearing Member or due execution of the relevant form.

(e) The Clearing House may reject any notice of exercise or abandonment of an Option if such notice does not, or appears not to, comply with the Contract Terms or the Clearing Procedures, notwithstanding any equivalent notice or other prescribed form of exercise that

has been provided by the Clearing House to any Clearing Member in respect of the exercise of an Option Contract.

(f) No notice or other form of exercise or abandonment of an Option received by the Clearing House may be cancelled or withdrawn once the deadline for exercise has passed.

(g) Part 7 of these Rules shall not apply in relation to Options.

**Rule 804** ***Exercise Notices***

The Clearing House will allocate exercise notices to Clearing Members which have or carry Short Open Contract Positions (and Short Contracts not in their Open Contract Position) in the Option Set being exercised, in accordance with the Clearing Procedures.

**Rule 805** ***Options with Deliverables which are Futures***

(a) Upon exercise of any Option with a Future as the Deliverable under the Option, one or more Futures Contracts at the Strike Price (or such other price as is required pursuant to the Contract Terms) shall arise pursuant to Rule 401 and in accordance with the Contract Terms for the Option and applicable Market Rules.

(b) Upon such Futures Contract or Contracts having arisen and all necessary payments having been made by the Clearing Member and Clearing House pursuant to the Clearing Procedures, the rights, obligations and liabilities of the Clearing House and the relevant Clearing Member in respect of the Option shall be satisfied and the Option shall be terminated.

**Rule 806** ***Options with Deliverables other than Futures***

(a) Upon exercise of any Option with a Deliverable which is not a Future, a Contract for the sale and purchase of the relevant Deliverable (a "**Contract of Sale**") at the Strike Price (or such other price as is required pursuant to the Contract Terms) shall arise pursuant to Rule 401 and in accordance with the Contract Terms for the Option and applicable Market Rules.

(b) Upon such Contract of Sale or Contracts of Sale having arisen and all necessary payments having been made by the Clearing Member and Clearing House pursuant to the Clearing Procedures, the rights, obligations and liabilities of the Clearing House and the relevant Clearing Member in respect of the Option shall be satisfied and the Option shall be terminated.

**Rule 807** ***Termination of other Contracts***

Upon each of the parties to a Contract having made all necessary payments and becoming party to all resulting Futures Contracts and Contracts of Sale in accordance with these Rules in respect of all Option Contracts in a Set in relation to an account or position 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 Option Contracts belonging to such Set in respect of such account or position.

**Rule 808** ***Expiry and Abandonment***

(a) If an Option Contract is not automatically exercised in accordance with Rule 803(b)(i) or exercised by the Clearing Member by the day and time referred to in Rule 803(b)(ii), all the rights, liabilities and obligations of each of the Clearing House and the relevant Clearing Member in respect of any Option shall lapse and the Option shall be terminated and be deemed to be abandoned.

(b) If notice of abandonment of an Option Contract is given pursuant to Rule 803(c), all the rights, liabilities and obligations of each of the Clearing House and the relevant Clearing Member in respect of any the Option shall lapse and the Option shall be terminated and be deemed to be abandoned upon the Clearing House updating its books and records in respect of such abandonment.

**Rule 809** ***Deliveries under Contracts of Sale***

(a) The Delivery Procedures and the requirements of this Rule 809 shall apply to Contracts of Sale.

(b) The Buyer and Seller under each Contract of Sale 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) Full compliance with the Delivery Procedures applicable to the Contract of Sale 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).

(d) The Clearing House may, at its discretion, direct a Clearing Member who is a Seller under a Contract of Sale 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 of Sale or Contracts of Sale 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).

(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 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 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.

## Part 9 Default Rules

*Without prejudice to the status of any other provision of these Rules, all the provisions of this Part 9 are intended to constitute 'default rules' for purposes of the Companies Act 1989, include a "default waterfall" for purposes of article 45 of EMIR and constitute "default procedures" for purposes of article 48 of EMIR, "default rules and procedures" for purposes of section 5b(c)(2)(G) of the CEA, "default arrangements" for the purposes of the Settlement Finality Regulations and "default procedures" for purposes of SEC Rule 17Ad-22. These rules are intended to comply with provisions of the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (SI 2001/995) in addition to other Applicable Laws. In addition to these Rules, the Clearing House relies on its legal rights under Applicable Laws in handling Events of Default, including under EMIR, FSMA, the Companies Act 1989, the Settlement Finality Directive, the Settlement Finality Regulations, the Financial Collateral Directive, the Financial Collateral Regulations, the U.S. Bankruptcy Code and the FSMR, as applicable.*

### Rule 901 *Events of Default affecting Clearing Members or Sponsored Principals*

(a) If any of the following events should occur with respect to any Clearing Member (regardless of whether it is cured by the Clearing Member, a guarantor or other third party on behalf of the Clearing Member or otherwise), such event shall, if so declared by the Clearing House, constitute an "**Event of Default**":

(i) any breach by that Clearing Member of these Rules, the Procedures, the Clearing Membership Agreement, any Sponsor Agreement (or, in the case of a Sponsored Principal where this Rule is applicable pursuant to Rule 901(d), the Sponsored Principal Clearing Agreement) any other agreement with the Clearing House or Market Rules;

(ii) that Clearing Member being unable, or likely to be unable, to meet its obligations under these Rules or in respect of any Contract;

(iii) a Monetary Default or Delivery Default occurring with respect to that Clearing Member;

(iv) any Financial Indebtedness of that Clearing Member or any of its Group Companies: (A) not being paid when due or within any originally applicable grace period; or (B) being declared to be or otherwise becoming due and payable prior to its specified maturity as a result of an event of default (however described);

(v) any commitment for any Financial Indebtedness of that Clearing Member or any of its Group Companies being cancelled or suspended by a creditor as a result of an event of default (however described);

(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.

(b) The Clearing House may assume that the occurrence of any Event of Default means that a Clearing Member is unable, or likely to be unable, to meet its obligations under these Rules or in respect of any Contract.

(c) The Clearing House may exercise rights under the power of attorney granted under clause 5.1 and 5.2 of the Clearing Membership Agreement, Sponsored Principal Clearing Agreement and/or Sponsor Agreement (including with respect to the Pledged Collateral

Addendum) if there has been an Event of Default. If, following an Event of Default, the Clearing House exercises rights under the power of attorney in clause 5.1 and 5.2 of the Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement for purposes of enforcement to exercise any of its rights under this Part 9 or under the Pledged Collateral Addendum and a Circular has not been issued in respect of the Event of Default, the Clearing House will notify the Clearing Member or Sponsor and Sponsored Principal concerned as soon as is reasonably practicable of such exercise.

(d) A Sponsored Principal may be declared a Defaulter by the Clearing House if any of the events or circumstances specified in Rule 901(a) occurs in relation to a Sponsored Principal (in place of the Clearing Member) (except, in the case of circumstances falling under Rule 901(a)(i) to (iii), to the extent that the Sponsor cures the Event of Default in question, where the same is permitted under this Rule 901(d)). A Sponsored Principal may further be declared a Defaulter pursuant to Rule 904(q). A Sponsor must notify the Clearing House in writing and without delay if it serves any notice or exercises any right under the Customer-Clearing Member Agreement between the Sponsored Principal and the Sponsor under which the Sponsored Principal is treated as a defaulter, in default or subject to any event of default in circumstances where the same would be grounds for the Clearing House declaring an Event of Default in respect of the Sponsored Principal. The Clearing House may declare the Sponsored Principal to be the subject of an Event of Default as soon as reasonably practicable following receipt of any such notice from a Sponsor, provided that the Clearing House is satisfied that the Sponsored Principal is capable of being declared a Defaulter under this Part 9 (notwithstanding if the relevant event or circumstances have been cured by the Sponsor). The Clearing House may publish a copy of any such notice from a Sponsor together with the Default Notice or may specify in the Default Notice that the Event of Default is declared due to notice being received by the Clearing House from a named Sponsor. In any circumstances in which a Sponsored Principal is declared a Defaulter, this Part 9 will apply in full to all Individually Segregated Sponsored Accounts of the Sponsored Principal, *mutatis mutandis* as if the Sponsored Principal were a Clearing Member and Defaulter, but the Sponsor shall not be treated as a Defaulter unless a separate Default Notice is issued in respect of the Sponsor as a result of an Event of Default affecting the Sponsor. If the Clearing House becomes aware of grounds for declaring a Sponsored Principal to be a Defaulter under Rule 901(a)(i) to (iii) but no Event of Default is declared, the Clearing House will notify the Sponsor of details of such grounds without delay and direct all liabilities on the Individually Segregated Sponsored Account to be met from the Nominated Proprietary Bank Account used by the Sponsor for its own Proprietary Account transactions, and any such Sponsor shall be liable to make such payments in full and on time from such Nominated Proprietary Bank Account.

(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. 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 on a Market where contracts may be traded, to delay a close out or termination of some or all Contracts of the Defaulter;

(iii) subject always to Rule 102(q), if the Defaulter acts as Buying Counterparty and Selling Counterparty in respect of Contracts of the same Set, to net, offset, mutually close out or terminate such Contracts (or any part thereof) provided that, following such netting, offsetting, closing out or termination, Contracts representing in aggregate the Open Contract Position of the Defaulter in the relevant Set are recognised; and the Clearing House shall be entitled to and shall amend the records of Contracts recorded in Deriv/SERV or any relevant Repository accordingly, provided that the Clearing House shall not be obliged to amend such Deriv/SERV

or Repository records if it no longer has the necessary authority or access to do so or is otherwise prevented or restricted from doing so by an Insolvency Practitioner; and

(iv) to combine and replace two or more FX Contracts of a Defaulter (or any part of an FX Contract) with a single FX Contract, which may occur where the Defaulter is Reference Currency Seller under one of the FX Contracts in respect of a particular currency and Reference Currency Buyer under the other FX Contract in respect of the same currency, and those two FX Contracts have the same FX Settlement Date.

(b) All Contracts to which a Defaulter is party (which are not voidable and voided by the Clearing House pursuant to Part 4) shall be closed out in the manner set out in Rule 905 except to the extent that Rule 903(a) applies to such Contracts.

(c) To the extent that any Contracts to which a Defaulter is party remain open from time to time (whether pursuant to Rule 903(a)(ii), pending Transfers, terminations or otherwise) or if the Clearing House is otherwise unable for any reason to liquidate Contracts in a prompt and orderly fashion, the Clearing House may authorise the execution from time to time for the account of the Clearing House, for the purpose of an orderly unwind of any Contracts to which a Defaulter is party or reducing the risk to the Clearing House and the risk to Clearing Members (in the case of Clearing Members, except to the extent that reducing any risk to Clearing Members creates or increases any risk for the Clearing House) resulting from the continued maintenance of such Contracts, of hedging transactions including, without limitation, the purchase, exercise, sale or grant of Contracts. Any such hedging transactions that are executed shall be submitted by Clearing Members with whom they are executed to the Clearing House for Clearing on a daily basis. Any costs, expenses or losses sustained by the Clearing House in connection with transactions effected pursuant to this Rule 903(c) shall be charged to the Defaulter and any gains shall be credited to the Defaulter in the relevant net sum calculation under Rule 906 for the Account in respect of which exposures were hedged.

(d) If a Contract is terminated pursuant to an automatic early termination provision or under Applicable Law as a result of an Event of Default, Insolvency, Unprotected Resolution Step or related event affecting the Defaulter, or if Rule 912 applies, this Part 9 shall apply *mutatis mutandis* in relation to such terminated Contract and the rights, obligations and 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) 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 (for F&O Contracts) or as zero (for certain Options), the Market-to-Market Value (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 breach of Applicable Laws; or (iv) lacks any Governmental Authority, Customer or other consent or approval that is required or desirable in the circumstances, in each case as determined by the Clearing House at its discretion. Any Transfers shall be fair to clients and indirect clients of the Defaulter.

(d) If any Contracts recorded in a Defaulter's Customer Account are subject to any Transfer pursuant to Rule 904(a)(i):

(i) any related Margin recorded in the relevant Customer Account may, at the discretion of the Clearing House also be transferred from that Customer Account to the Transferee Clearing Member's Customer Account (in the case of CDS Contracts, provided that such transfer occurs in accordance with the remainder of this Rule 904);

(ii) to the extent that any transfer of Margin takes place in accordance with Rule 904(d)(i), the Defaulter shall have no claim against the Clearing House or any Transferee Clearing Member for return of such Margin and the Clearing House shall be released from any liability or obligation to return such Margin (or any property in substitution thereof) to the Defaulter;

(iii) as between the Transferee Clearing Member and the Clearing House, the Clearing House shall have all rights in relation to any Margin transferred pursuant to Rule 904(d)(i) as if the same were Margin transferred to the Clearing House directly from the Transferee Clearing Member;

(iv) where the Defaulter has or had a Pledged Collateral Account, the Clearing House shall be entitled, in addition to the rights and remedies referred to in Rule 902, to exercise the rights of a secured party, collateral taker, market chargee and collateral security chargee under Applicable Law, including rights of appropriation, with respect to any Pledged Collateral and the rights set forth in the Pledged Collateral Addendum in order to facilitate any such transfer of Margin; and

(v) where:

(A) the Clearing House has elected to exercise its rights to transfer Margin of a Defaulter pursuant to Rule 904(j)(iii);

(B) such Defaulter has a Pledged Collateral Account; and

(C) the Clearing House exercises the right of appropriation pursuant to the relevant Pledged Collateral Addendum as contemplated by Rule 904(d)(iv) so as to give effect to a transfer of Margin,

then the Clearing Member that is the Defaulter will be obliged to pay to the Clearing House an amount equal to the value of Pledged Collateral so appropriated, such value having been calculated in accordance with Rule 905(b)(ix).

(e) The Clearing House may rely upon any information relating to the positions, assets or identities of individual Customers provided to it by an Exchange, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform or Clearing Member, without need for further enquiry by the Clearing House with respect thereto. The books and records of the Clearing House may be treated as definitive evidence of the positions and Customers which correspond to Contracts recorded in one of the Defaulter's Customer Accounts.

(f) The Clearing House shall be entitled to make partial or full transfers of available Margin at any time from the relevant account of a Defaulter in respect of Contracts subject to a Transfer, provided that in any case the total amount of Margin transferred in respect of any Contracts relating to a particular Customer remains commensurate to the Margin that was provided in respect of such transferred Contracts and held by the Clearing House immediately prior to the Event of Default.

(g) Nothing in these Rules shall require a Clearing Member to accept any Transfer of Contracts as a Transferee Clearing Member, without the prior consent of that Clearing Member (and for these purposes no such consent shall have been provided as a result of a Clearing Member being named as a potential Transferee Clearing Member in a Default Portability Preference). Including as a result of the consents in Section 6(b) of the Standard Terms, the Clearing House shall be entitled (but not required) to Transfer any Contract regardless of whether the relevant Customer has designated the Transferee Clearing Member as a permitted transferee or has consented to such Transfer.

(h) If the Clearing House determines that any Contracts of the Defaulter are to be Transferred pursuant to this Rule 904, the Clearing House may estimate the loss or gain that it would incur in respect of the relevant Customer Account Positions (i.e. the amount *L-A* in Rule 906 as calculated in respect of those Customer Account Positions) and the extent, if any, to which any Margin would be applied to any such loss and may (but shall not be required) to prioritise and give effect first to any Transfers on the basis of the extent of any potential resulting loss or gain to a Customer Account notwithstanding the time at which any Transfer instructions are submitted or confirmed.

(i) The Clearing House may take into consideration such factors as the Clearing House determines to be relevant in accepting or effecting any Transfer. Without limiting the foregoing, any Transfer or transfer of Margin shall be subject to any requirements or limitations under Applicable Law, and any approvals or consents that the Clearing House may determine to be required or desirable under the circumstances.

(j) The Clearing House will have regard to any Default Portability Preference in determining whether or not to give effect to any Transfer. Nonetheless, and without prejudice to the generality of Rule 904(g), the Clearing House shall be entitled to Transfer any Contract recorded in a Customer Account of a Clearing Member regardless of whether the relevant Customer has designated the Transferee Clearing Member as a permitted transferee pursuant to a Default Portability Preference or has made any Default Portability Preference, in reliance upon the consents of Customers to a Transfer of Contracts or Margin to any Transferee Clearing Member provided pursuant to the Standard Terms. If, pursuant to a Transfer, the Clearing House becomes party to a Contract with a Transferee Clearing Member (that is a Non-FCM/BD Clearing Member) as replacement for any Customer Account Contract of a Defaulter (that is or was a Non-FCM/BD Clearing Member), the Clearing House and (to the extent necessary) the Defaulter shall contemporaneously cause the Transfer of the related Customer-CM Transactions between each affected Customer and the Defaulter, such that Customer-CM Transactions are established between each relevant Customer and the Transferee Clearing Member and such Transferred Customer-

CM Transactions between the Defaulter and each relevant Customer are terminated (or otherwise subject to a Transfer) as follows:

(i) If a Contract recorded in the Defaulter's Customer Account is Transferred, the Transferee Clearing Member shall enter into a Customer-CM Transaction with each affected Customer (to replace the terminated Customer-CM Transaction with the Defaulter) on such terms as are specified in Rule 904(j)(ii). Upon such Transfer, the Transferee Clearing Member shall assume and undertake in favour of the Customer the obligations of (or obligations similar to those of) the Defaulter under the Transferred Contract(s) and the Transferred Customer-CM Transaction(s). Any termination payments due or payable in respect of the termination of the Contracts and related Customer-CM Transactions to which the Defaulter was party and any amounts due or payable in respect of the establishment of the replacement Contracts or Customer-CM Transactions to which the Transferee Clearing Member is party shall be equal (in each case based on the amount determined by the Clearing House for purposes of close out of the Contract in accordance with these Rules, and not taking into account any clearing fees or similar amounts agreed to by the relevant parties or affecting any other amount mentioned in Rule 906) and all obligations to make such termination payments shall be deemed to have been paid, netted and satisfied among the relevant parties beneficially entitled to such payments.

(ii) If the Transferee Clearing Member and a relevant Customer have previously entered into a Customer-Clearing Member Agreement, any Customer-CM Transactions between the Transferee Clearing Member and Customer Transferred to the Transferee Clearing Member in accordance with this Rule 904 shall be subject to such Customer-Clearing Member Agreement. If the Transferee Clearing Member and Customer have not entered into a Customer-Clearing Member Agreement, the Transferred Customer-CM Transactions shall be deemed subject to an agreement in such form as is specified by the Transferee Clearing Member.

(iii) Following any Transfer of Contracts and, where applicable, Customer-CM Transactions, pursuant to this Rule 904, the Clearing House may transfer, and if such transfer occurs, will record the transfer, of any available Margin recorded in the corresponding Customer Margin Account of the Defaulter for each affected Customer the Customer-CM Transactions of which are to be Transferred (to the extent that the same has not been subject to netting under Rule 904(j)) to the applicable Customer Margin Account of the Transferee Clearing Member, to be treated in the same way as if such assets had been transferred by the Transferee Clearing Member direct to the Clearing House pursuant to the Clearing Membership Agreement (or, for an Individually Segregated Sponsored Account for which a Transferee Clearing Member is the Sponsor, by the Sponsored Principal direct to the Clearing House pursuant to the Sponsored Principal Clearing Agreement) and these Rules. In relation to any such transfer, the Defaulter shall be deemed to agree and consent to any such transfer and shall take any necessary action to facilitate such transfer (and the Clearing House may take any action on the Defaulter's behalf in connection therewith). Notwithstanding the foregoing, the Transferee Clearing Member shall remain obliged to satisfy any Margin

requirements resulting from its entry into of, or becoming party to, Contracts for each of its affected Customer Accounts pursuant to this Rule 904 which may be calculated without taking into account any amount that may be transferred by or due from the Defaulter to the Clearing House pursuant to the foregoing requirement but which has not been transferred.

(k) The Clearing House may recalculate the balance between Margin and Surplus Collateral for a Customer Account of a Defaulter to reflect any increase in the Margin requirement for such Customer Account as a result of the Transfer of fewer than all of the relevant Customer Account Contracts and related Customer Account Positions.

(l) Following any Transfer of Contracts pursuant to this Rule 904, the Clearing House may submit appropriate data to Deriv/SERV or a Repository to reflect such Transfer. The Clearing House shall be authorised and entitled to take similar action on the Defaulter's and any of its Customers' behalves (including in respect of records in the Tripartite Representation referring to any Customer and any Customer-CM CDS Transactions to which the Defaulter and Customer were party) which have been Transferred in accordance with this Rule 904.

(m) Upon an Event of Default being declared in respect of a Clearing Member, the Clearing House commits to triggering the procedures for the Transfer process set out in this Rule 904 for both Margin and Open Contract Positions recorded in a Customer Account (that is not an Individually Segregated Sponsored Account, Individually Segregated Margin-Flow Co-mingled Account or Segregated Gross Indirect Account) provided that the Clearing House shall not be obliged to effect any Transfer unless: (i) each Customer is not itself also a Defaulter or subject to an Insolvency or Unprotected Resolution Step; (ii) the conditions precedent set out in Rule 904(c) are satisfied in respect of each Customer; and (iii) a single Transferee Clearing Member accepts all the Transfers relating to all Customers in writing. A Transferee Clearing Member shall be deemed to have accepted the Transfer if it has previously entered into a contractual relationship with a Customer by which it has committed itself to do so and the same has been notified to the Clearing House pursuant to a Default Portability Preference.

***Provisions applicable only to default of a Sponsor of an Individually Segregated Sponsored Account***

(n) If an Event of Default is declared in respect of a Sponsor, notwithstanding any payment or banking arrangement existing prior to the Event of Default, the Sponsored Principal must meet all Margin and other calls for payment made by the Clearing House on time itself from a Nominated Bank Account in the Sponsored Principal's name. The Sponsored Principal may be required to pay additional amounts by way of Margin (including an additional stress-loss Margin charge covering at least such portion of the defaulting Sponsor's required Guaranty Fund Contribution as is referable to the Sponsored Principal or otherwise as is required to ensure that the Clearing House has additional Margin from Sponsored Principals of the defaulting Sponsor in excess of any shortfall in a Guaranty Fund prior to its replenishment or re-balancing) if its Sponsor is declared a Defaulter.

(o) As from the time of declaration of the Event of Default in respect of the Sponsor until such time as the Sponsored Principal takes one of the three steps set out in this Rule 904(o), the Sponsored Principal shall only be entitled to submit Transactions for clearing or become party to Contracts which it can demonstrate have the overall effect of reducing Open Contract Positions in any Set of Contracts or risks to the Clearing House associated with Contracts, whether by hedging, novating, Transferring, terminating, liquidating or otherwise closing out such Contracts. Within 10 days of the Event of Default of the Sponsor (or such other longer time as the Clearing House at its discretion allows), provided that the Sponsored Principal is not itself a Defaulter and in order to avoid itself becoming a Defaulter, the Sponsored Principal must take one of the following three steps:

(i) notify the Clearing House of a new Sponsor and if such Sponsor is approved by the Clearing House as the new Sponsor and has executed a Sponsor Agreement under which the Sponsored Principal is duly nominated:

(A) the new Sponsor shall become the new Sponsor for the Sponsored Principal (and shall be treated as the Transferee Clearing Member) for an Individually Segregated Sponsored Account in which equal positions and Margin are recorded to those of the Sponsored Principal prior to the Event of Default; and

(B) the new Sponsor shall take the benefit of the right to provide operational services and to enjoy rights under the new Sponsor Agreement in relation to the Individually Segregated Sponsored Account which were previously enjoyed by the Sponsor that is a Defaulter;

(C) pursuant to the Default Portability Rules, the new Sponsor will become liable under Contracts recorded in the Individually Segregated Sponsored Account in place of the Defaulter as set forth in Part 19; and

(D) the old Sponsor will become released from any further liability in respect of its joint and several liability under Contracts recorded in the Individually Segregated Sponsored Account;

(E) pursuant to the Default Portability Rules, Customer-CM Transactions (if any) between the Defaulter and the Sponsored Principal will be Transferred to the Sponsor; and

(F) all outstanding Margin and other payments due in respect of the Contracts and Individually Segregated Account must be paid by the Sponsored Principal or Sponsor;

(ii) itself become a full Clearing Member not accessing the Clearing House with a Sponsor, pursuant to the process set out in Part 2 and the Membership Procedures, in which case:

(A) it will become liable to pay Guaranty Fund Contributions itself;

(B) the positions and assets recorded in the Individually Segregated Sponsored Account will be Transferred to a Proprietary Account of the Sponsored Principal acting itself in its capacity as Transferee Clearing Member without a Sponsor;

(C) in the same way as Contracts are terminated pursuant to the Default Portability Rules, the old Sponsor will become released from any further liability in respect of Contracts recorded in the Individually Segregated Sponsored Account;

(D) all Customer-CM Transactions between the Defaulter and the Sponsored Principal will be terminated at the same time and prices as liabilities under Contracts are so released; and

(E) all outstanding Margin and other payments due in respect of the Contracts and Individually Segregated Account must be paid by the Sponsored Principal that has become a Clearing Member; or

(iii) arrange for the Transfer of the positions and margin in the Individually Segregated Sponsored Account to a Customer Account (not being an Individually Segregated Sponsored Account) of a Transferee Clearing Member pursuant to the Default Portability Rules,

(p) Upon an Event of Default being declared in respect of a Sponsor, the Clearing House commits to triggering the procedures for the Transfer process set out in this Rule 904 for both Margin and Open Contract Positions recorded in an Individually Segregated Sponsored Account, provided that the Clearing House shall not be obliged to effect any Transfer unless: (i) the Sponsored Principal is not itself also a Defaulter or subject to an Insolvency or Unprotected Resolution Step; (ii) the conditions precedent set out in Rule 904(c) are satisfied; and (iii) the Transferee Clearing Member accepts the Transfers in writing. A Transferee Clearing Member shall be deemed to have accepted the Transfer if it has previously entered into a contractual relationship with the Sponsored Principal by which it has committed itself to do so and the same has been notified to the Clearing House pursuant to a Default Portability Preference.

***Provisions applicable only to default of a Sponsored Principal***

(q) If, following an Event of Default in respect of the Sponsor, one of the steps set out in Rule 904(o) does not take place by the end of the 10 day or longer period as is referred to in Rule 904(o), then the Sponsored Principal may itself be declared a Defaulter. A Sponsored Principal may also be declared a Defaulter pursuant to Rule 901(d).

(r) If a Clearing House declares the Sponsored Principal a Defaulter in circumstances in which the Sponsor is not a Defaulter, then the Clearing House, following issuance of the Default Notice will inform the Sponsor of the Event of Default, which may be by telephone. Then:

(i) provided that the Sponsor is not itself also a Defaulter, to the extent this has not already occurred under Rule 901(d), the Clearing House will direct all liabilities on

the Individually Segregated Sponsored Account to be met from the Nominated Proprietary Bank Account used by the Sponsor for its own Proprietary Account transactions;

(ii) the Sponsor shall be liable to pay in full and on time an amount equal to any loss or shortfall on the Individually Segregated Sponsored Account, including: (A) in respect of unsatisfied Margin requirements to the extent that any open Contracts exist in the Individually Segregated Sponsored Account (or have been subjected to automatic early termination but not replaced); and (B) of such amounts as the Clearing House notifies the Sponsor are necessary to prevent any net sum on the Individually Segregated Sponsored Account representing an amount payable to the Clearing House;

(iii) provided that the Sponsor is not itself also a Defaulter, the Sponsor shall be entitled to exercise its rights under Rule 907(m) or take any other action in relation to Contracts recorded in the Individually Segregated Sponsored Account as it would have been entitled under Part 19 of the Rules to take, but for the Event of Default (including to Transfer Contracts recorded in the Individually Segregated Sponsored Account to a Proprietary Account of the Sponsor, terminate Contracts by contractual netting through submission of offsetting Contracts; and taking equivalent steps in relation to Customer-CM Transactions and Contracts that have been subjected to automatic early termination but not been replaced); and in taking any such action it may act as agent for the Clearing House, subject to obtaining the Clearing House's prior written consent to act in such capacity; but for the avoidance of doubt: (A) nothing in this Rule 904(r) shall entitle the Sponsor to direct the payee of any Margin or assets recorded in the Individually Segregated Sponsored Account, declare a net sum, run a Default Auction or exercise other powers of the Clearing House under this Part 9; (B) the Sponsor shall be liable to the Clearing House and its officers and employees for any loss, liability, damage, injury, cost or expense pursuant to Rule 111(a)(ii), for which purposes any actions taken by the Sponsor as agent for the Clearing House shall be deemed to constitute "conduct" and Rule 111(i) shall not apply; and (C) where the Sponsor acts as agent for the Clearing House and in such capacity determines a close-out value for a Customer-CM Transaction (or a close-out value for a Contract which automatically results in a close-out value for a Customer-CM Transaction being determined) that close-out value shall be determined, calculated, established or priced in accordance with the applicable Customer-Clearing Member Agreement and Applicable Laws;

(iv) the Clearing House shall be fully entitled to manage any Event of Default affecting a Sponsored Principal under this Part 9, provided that to the extent that the Sponsor manages the Event of Default under Rule 904(r)(iii), the Clearing House will allow the Sponsor such time as the Clearing House considers to be reasonable for the Sponsor to terminate the Contracts recorded in the Individually Segregated Sponsored Account before itself doing so;

(v) if the Sponsor is not itself also a Defaulter, the Clearing House will (to the extent this is not prohibited under any Applicable Laws) transfer any Margin or balance

on the Individually Segregated Sponsored Account to the Sponsor in the event that the Sponsor transfers the Contracts from the Individually Segregated Sponsored Account to one of its Proprietary Accounts (or establishes replacement positions for such Contracts in one of its Proprietary Accounts as a result of entering into offsetting Contracts for the Individually Segregated Sponsored Account or otherwise) following an Event of Default affecting the Sponsored Principal; and

(vi) subject to paragraph (v), the Clearing House shall be entitled to discharge its obligations to the Sponsored Principal and the Sponsor in respect of an Individually Segregated Sponsored Account in full by transferring any Margin or balance on the Individually Segregated Sponsored Account to either the Sponsor or Sponsored Principal.

(s) The Guaranty Fund Contributions and Surplus Collateral recorded in all Proprietary Accounts of the Sponsor may be applied in amount *GFC* or *SC* respectively in the net sum on an Individually Segregated Sponsored Account, to the extent necessary to prevent any net sum on the Individually Segregated Sponsored Account representing an amount payable to the Clearing House. To the extent that the Sponsor has made any payment under Rule 901(d) or 904(r)(i) or (ii) and the net sum on an Individually Segregated Sponsored Account would represent an amount payable by the Clearing House (but for this provision), the Clearing House shall pay to the Sponsor, (subject to Rules 904(c) and (i)), for its own account as principal, an amount equal to the difference between such amount otherwise payable by the Clearing House and zero, less a deduction for any of its related costs. Any amounts paid to a Sponsor pursuant to this Rule 904(s) shall be included in amount *OL* in Rule 906 in the calculation of the net sum on the Individually Segregated Sponsored Account.

***Provisions applicable only to Margin-flow Co-mingled Accounts***

(t) The following principles shall apply when the Clearing House is calculating the net sums on Margin-flow Co-mingled Accounts of a Defaulter or determining the amounts which are available to be transferred to a Transferee Clearing Member in respect of such an Account pursuant to the Default Portability Rules:

(i) sums payable by the Defaulter or to the Defaulter in respect of Contracts falling under any of amounts *L*, *A*, *D* or *C* in Rule 906(a) shall be allocated for each Margin-flow Co-mingled Account based on the extent to which such sums arise from the termination or close out of Contracts recorded in the Position Account linked to the Margin-flow Co-mingled Account;

(ii) costs and expenses of the Clearing House falling under amount *L* in Rule 906(a) and amounts falling under *OL* in Rule 906(a), to the extent not charged to or included in the net sum for a Proprietary Account of the Defaulter or another Customer Account, shall be allocated among Margin-flow Co-mingled Accounts on a *pro rata* basis with respect to the Margin requirement on each Margin-flow Co-mingled Account immediately prior to the Event of Default, provided that if the Clearing House incurs a particular cost or expense in respect of a particular Margin-

flow Co-mingled Account, then that amount shall be allocated solely to that Margin-flow Co-mingled Account and the amounts to be allocated among other Margin-flow Co-mingled Accounts shall be reduced accordingly;

(iii) amounts falling under *M* in Rule 906(a) (which do not relate to Permitted Cover previously recorded in a Proprietary Account of the Defaulter) will be allocated among Margin-flow Co-mingled Accounts in the manner set out below and in the following order of precedence:

(A) based on the ICE Clear System's records of Permitted Cover provided in respect of each Margin-flow Co-mingled Account (if any); or

(B) based on the last valid Permitted Cover report provided by the Defaulter under Rule 503(k) immediately prior to the Event of Default (if any); or

(C) on a *pro rata* basis with respect to the Margin requirement on each Margin-flow Co-mingled Account of the Defaulter immediately prior to the Event of Default;

(iv) if Surplus Collateral may be posted on a Margin-flow Co-mingled Account, amounts falling under *SC* in Rule 906(a) (which do not relate to Permitted Cover previously recorded in a Proprietary Account of the Defaulter) will be allocated among Margin-flow Co-mingled Accounts in the manner set out below and in the following order of precedence:

(A) based on the ICE Clear System's records of Permitted Cover provided in respect of each Margin-flow Co-mingled Account (if any); or

(B) based on the last valid Permitted Cover report provided by the Defaulter under Rule 503(k) immediately prior to the Event of Default (if any); or

(C) if not so allocated to any Margin-flow Co-mingled Account will be returned separately to the Defaulter, who will be responsible for handling any claims of Customers in respect of such amounts;

(v) amounts falling under *GFC* or *OA* in Rule 906(a) or representing Margin or other assets relating to a Proprietary Account which are available to be applied to Margin-flow Co-mingled Accounts, to the extent that they are available to reduce a loss on Margin-flow Co-mingled Accounts, shall first be allocated *pro rata* as to losses among Margin-flow Co-mingled Accounts;

(vi) the effect on the net sum of any Transfer of positions or Margin to a Transferee Clearing Member shall be the same as for any other Customer Account of a Defaulter; and

(vii) any funding of any assets in, or credit line or loan to a Customer interested in, a Margin-flow Co-mingled Account by the Defaulter shall be disregarded.

(u) Upon an Event of Default being declared in respect of a Clearing Member, the Clearing House commits to triggering the procedures for the Transfer process set out in this Rule 904 for both Margin and Open Contract Positions recorded in Individually Segregated Margin-flow Co-mingled Accounts, provided that the Clearing House shall not be obliged to effect any Transfer unless: (i) the relevant Customer is not itself also a Defaulter or subject to an Insolvency or Unprotected Resolution Step; (ii) the conditions precedent set out in Rule 904(c) are satisfied; and (iii) the Transferee Clearing Member accepts the Transfers in writing. A Transferee Clearing Member shall be deemed to have accepted the Transfer if it has previously entered into a contractual relationship with the Customer by which it has committed itself to do so and the same has been notified to the Clearing House pursuant to a Default Portability Preference.

***Provisions applicable only to Segregated Gross Indirect Accounts***

(v) The following principles shall apply when the Clearing House is calculating the net sums on Segregated Gross Indirect Accounts of a Defaulter or determining the amounts which are available to be transferred to a Transferee Clearing Member in respect of such an Account pursuant to the Default Portability Rules:

(i) sums payable by the Defaulter or to the Defaulter in respect of Contracts falling under any of amounts *L*, *A*, *D* or *C* in Rule 906(a) shall be allocated for each Segregated Gross Indirect Account based on the extent to which such sums arise from the termination or close out of Contracts recorded in the Position Account linked to the Segregated Gross Indirect Account;

(ii) costs and expenses of the Clearing House falling under amount *L* in Rule 906(a) and amounts falling under *OL* in Rule 906(a), to the extent not charged to or included in the net sum for a Proprietary Account of the Defaulter or another Customer Account, shall be allocated among Segregated Gross Indirect Accounts on a *pro rata* basis with respect to the Margin requirement on each Segregated Gross Indirect Account immediately prior to the Event of Default, provided that if the Clearing House incurs a particular cost or expense in respect of a particular Segregated Gross Indirect Account, then that amount shall be allocated solely to that Segregated Gross Indirect Account and the amounts to be allocated among other Segregated Gross Indirect Accounts shall be reduced accordingly;

(iii) amounts falling under *M* in Rule 906(a) (which do not relate to Permitted Cover previously recorded in a Proprietary Account of the Defaulter) will be allocated among Segregated Gross Indirect Accounts in the manner set out below and in the following order of precedence:

(A) based on the ICE Clear System's records of Permitted Cover provided in respect of each Segregated Gross Indirect Account (if any); or

(B) based on the last valid Permitted Cover report provided by the Defaulter under Rule 503(k) immediately prior to the Event of Default (if any); or

(C) on a *pro rata* basis with respect to the Margin requirement on each Segregated Gross Indirect Account of the Defaulter immediately prior to the Event of Default;

(iv) if Surplus Collateral may be posted on a Segregated Gross Indirect Account, amounts falling under *SC* in Rule 906(a) (which do not relate to Permitted Cover previously recorded in a Proprietary Account of the Defaulter) will be allocated among Segregated Gross Indirect Accounts in the manner set out below and in the following order of precedence:

(A) based on the ICE Clear System's records of Permitted Cover provided in respect of each Margin-flow Co-mingled Account (if any); or

(B) based on the last valid Permitted Cover report provided by the Defaulter under Rule 503(k) immediately prior to the Event of Default (if any); or

(C) if not so allocated to any Segregated Gross Indirect Account will be returned separately to the Defaulter, who will be responsible for handling any claims of Customers in respect of such amounts;

(v) amounts falling under *GFC* or *OA* in Rule 906(a) or representing Margin or other assets relating to a Proprietary Account which are available to be applied to Segregated Gross Indirect Accounts, to the extent that they are available to reduce a loss on Segregated Gross Indirect Accounts, shall first be allocated *pro rata* as to losses among Segregated Gross Indirect Accounts;

(vi) the effect on the net sum of any Transfer of positions or Margin to a Transferee Clearing Member shall be the same as for any other Customer Account of a Defaulter; and

(vii) any funding of any assets in, or credit line or loan to a Customer interested in, a Segregated Gross Indirect Account by the Defaulter shall be disregarded.

(w) Upon an Event of Default being declared in respect of a Clearing Member, the Clearing House commits to triggering the procedures for the Transfer process set out in this Rule 904 for both Margin and Open Contract Positions recorded in Segregated Gross Indirect Accounts, provided that the Clearing House shall not be obliged to effect any Transfer unless: (i) the relevant Customer is not itself also a Defaulter or subject to an Insolvency or Unprotected Resolution Step; (ii) the conditions precedent set out in Rule 904(c) are satisfied; and (iii) the Transferee Clearing Member accepts the Transfers in writing. A Transferee Clearing Member shall be deemed to have accepted the Transfer if it has previously entered into a contractual relationship with the Customer by which it has committed itself to do so and the same has been notified to the Clearing House pursuant to a Default Portability Preference.

**Rule 905** ***Termination and close out of Contracts on a Clearing Member Event of Default***

(a) The following contracts shall be terminated or closed out in such manner as the Clearing House in its discretion may direct for the purposes of discharging all the rights, obligations and liabilities of the Defaulter:

(i) Contracts to which a Defaulter is party, which are not voidable and voided by the Clearing House pursuant to Part 4, and which are required to be terminated or closed out pursuant to Rule 903(b);

(ii) contracts arising from hedging transactions made pursuant to Rule 903(c), which shall be treated as if they were "Contracts" for purposes of this Rule 905 and Rule 906.

The Clearing House shall not be entitled to terminate or close out any rights or liabilities attributable to the Defaulter arising out of the relationship of principal and agent, where a Defaulter has entered into a contract as agent, but for the avoidance of doubt this requirement shall not restrict the Clearing House from closing out any Contract recorded in a Customer Account of an FCM/BD Clearing Member or an Individually Segregated Sponsored Account. To the extent necessary, the Clearing House may take such steps pursuant to such powers as are granted pursuant to the Clearing Membership Agreement and any applicable Sponsored Principal Clearing Agreement, Sponsor Agreement or Pledged Collateral Addendum.

(b) Without prejudice to the generality of Rule 905(a), at the Clearing House's discretion, any of the following steps may be taken in respect of contracts to which Rule 905(a) applies:

(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 determined by the Clearing House 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 determined by the Clearing House 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.

(d)

(i) To the extent that the Clearing House does not terminate, transfer or close out all of the CDS Contracts of a Defaulter pursuant to Rule 905(a)-(c), the Clearing House may at its discretion, in respect of any open CDS Contracts of the Defaulter:

(A) as and to the extent permitted under Rule 914, engage in Reduced Gains Distribution for each relevant CDS Contract Category under such Rule;

(B) enter into Transactions with CDS Clearing Members, Customers and Sponsored Principals authorised to clear CDS Contracts to replace all of such remaining Positions and Transactions (upon which such remaining Positions and Transactions shall terminate (to the extent not previously terminated), pursuant to a Secondary CDS Auction, and in the event of a failed Secondary CDS Auction, run additional Secondary CDS Auctions as provided in the CDS Default Auction Procedures;

(C) in the event of the failure of one or more Secondary CDS Auctions to eliminate or replace all remaining risk of the Open Contract Positions of a Defaulter and any Transactions entered into pursuant to Rule 905(b), terminate such Open Contract Positions and Transactions with other CDS Clearing Members through Partial Tear-Up in accordance with Rule 915, upon which such remaining Open Contract Positions and Transactions shall terminate (to the extent not previously terminated); and

(D) to 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(c) and (d) and 917.

(ii) To the extent that the Clearing House does not terminate, transfer or close out all of the F&O Contracts or FX Contracts of a Defaulter, the Clearing House may at its discretion in respect of any open F&O Contracts or FX Contracts of the Defaulter:

(A) as and to the extent permitted under Rule 914, engage in Reduced Gains Distribution for the F&O or FX Contract Category, as applicable, under such Rule;

(B) eliminate or replace all remaining risk of the Open Contract Positions of a Defaulter and any Transactions entered into pursuant to Rule 905(b), terminate such Open Contract Positions and Transactions with other Clearing Members through Partial Tear-Up in accordance with Rule 915, 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, employees, 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 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 of the relationship of principal and agent; and the Clearing House may assess any one or more elements of such amount *L* in its discretion, provided that any costs, expenses, taxes or other amounts falling within the scope of the indemnity in Rule 905(f) (not being amounts payable in respect of Contracts falling under *L*(i) to (iii) above) shall be allocated to the Proprietary Account regardless of the Contracts or Account to which they relate.

*A* = the aggregate amount, expressed as a positive number, of all sums payable to 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 actions referred to under *L* (i), (ii) or (iii) above, plus all amounts that were payable but remain unpaid by the Clearing House under the terms of Contracts, excluding, in respect of a Contract where the Defaulter acts as agent (if any), any rights attributable to the Defaulter arising out of the relationship of principal and agent and further excluding any amount included under *D, C, M, GFC* or *SC*; and the Clearing House may assess any one or more elements of such amount *A* in its discretion.

*Note on calculation of the amounts L and A:* For the purposes of calculating amounts *L* and *A*, the amount payable by or to the Defaulter in respect of any Contract or Open Contract Position is the difference between:

(x) the price of the Contract or Open Contract Position recorded in the Clearing House's books for the later of: (A) the last date on which a payment in respect of Variation Margin, FX Mark-to-Market Margin or Mark-to-Market Margin was successfully and fully made by the Clearing Member to or to the account of the Clearing House; or (B) the last date on which a return of amounts following a Variation Margin, FX Mark-to-Market Margin or Mark-to-Market Margin call was successfully and fully made by the Clearing House to the Clearing Member or to the account of the Clearing Member; and

(y) the price at which the Contract or Open Contract Position was Transferred, terminated or closed out pursuant to Rules 903 to 905.

For such purposes, payment or return of Variation Margin, FX Mark-to-Market Margin or Mark-to-Market Margin will be treated as having been successfully and fully made even if Cash Gainer Adjustments and Cash Loser Adjustments are made pursuant to Rule 914 and no additional credit or debit shall be applied in the net sum calculation for any Cash Gainer Adjustments or Cash Loser Adjustments applied to any Account of the Clearing Member prior to the time of declaration of the Event of Default.

*D* = if the Clearing House so determines at its discretion, the aggregate amount of any sums in respect of a Deliverable delivered, physically settled, to be delivered or to be physically settled under a Contract with the Defaulter or in respect of which cash settlement is to be made as calculated by the Clearing House at its discretion relating to the relevant Account (if payable to the Clearing Member being a positive number and hence set off in the calculation under this Rule 906(a) against any amount *L-A* if that amount is also a positive number or if payable to the Clearing House being a negative number and aggregated in the calculation under this Rule 906(a) with any amount *L-A* if that amount is a positive number), in any case excluding any amount included under *C, M, GFC* or *SC*.

*C* = if relevant, any sum owed by or to the Clearing House to or from a recognised investment exchange or another recognised clearing house of which the Defaulter is or was a member, under an indemnity given or reimbursement or similar obligation in respect of a margin set off agreement in which the Defaulter chose to participate (if payable to the Clearing Member being a positive number and set off in the calculation under this Rule 906(a) against any amount *L-A-D* if that amount is also a positive number or if payable to the Clearing House being a negative number and aggregated in the calculation under this Rule 906(a) with any amount *L-A-D* if that amount is a positive number).

*M* = means the following, expressed as a positive number:

(i) in relation to a net sum calculation for the Proprietary Account of the Defaulter, the value of any property provided by or on behalf of the Defaulter in respect of its Proprietary Account as Margin under Rule 502(g), Original Margin, FX Original Margin, Initial Margin, buyer's security or seller's security (without any double counting) or in satisfaction of such Margin requirements and recorded in the Proprietary Margin Account of the Defaulter;

(ii) in relation to a net sum calculation for any Customer Account of the Defaulter (other than a Swap Customer Account of an FCM/BD Clearing Member), the value of any property provided by or on behalf of the Defaulter as margin under Rule 502(g), Original Margin, FX Original Margin, Initial Margin, buyer's security or seller's security (without any double counting) in respect of such Customer Account or in satisfaction of such Margin requirements and that is recorded in the related Customer Margin Account of the Defaulter, excluding any Margin that would otherwise fall under amount *M* but that is transferred to a Transferee Clearing Member pursuant to this Part 9; or

(iii) in relation to a net sum calculation for a Swap Customer Account of an FCM/BD Clearing Member, the value of any property provided by or on behalf of the Defaulter in respect of such Swap Customer Account as margin under Rule 502(g) (other than as Mark-to-Market Margin), Original Margin, Initial Margin, buyer's security or seller's security (without any double counting) (collectively, "**FCM Swap Customer IM**") or in satisfaction of such Margin requirements and that is recorded in the related Customer Margin Account of the Defaulter, excluding any Margin that would otherwise fall under amount *M* but that is transferred to a Transferee Clearing Member pursuant to this Part 9 and further excluding, for the avoidance of doubt, any Surplus Collateral, provided that such assets allocated to a particular Customer Swap Portfolio and proceeds thereof shall only be included in *M* to the extent of obligations to the Clearing House in respect of Open Contract Positions in such Customer Swap Portfolio in 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;

(iii) an amount in respect of any Guaranty Fund Contribution that has been applied to a loss, shortfall or otherwise but is due back to the Clearing Member under Rule 1102(k), 1103(a) or 1103(b);

(iv) an amount in respect of any Assessment Contribution that has been called and paid but is due back to the Clearing Member under Rule 909(j); and

(v) any amounts due to the Clearing Member under Rule 914(j), 916(n) or 919(h),

but excluding in any case: (A) any Pledged Collateral returned to a Clearing Member or any of its Customers pursuant to Rule 502(i); and (B) any Surplus Collateral.

*OL* = the aggregate of any other amounts, expressed as a positive number, not falling under *L* payable by the Defaulter to the Clearing House or any right or claim of the Clearing House against the Defaulter relating to the relevant Account, in any case whether pursuant to these Rules, any Contract or otherwise (including without limitation any fines payable pursuant to Part 10 and any other amounts payable in respect of any breach by the Defaulter of these Rules in either case not falling under *L*), in any case at the discretion of the Clearing House, including without limitation the Defaulter's obligation to pay any amount in respect of a transfer in relation to all or any of the Pledged Collateral pursuant to Rule 904(d)(v), provided that any amounts falling within the scope of the indemnity in Rule 905(f) but not falling under *L* shall be allocated to the Proprietary Account regardless of the Contracts or Account to which they relate.

All such amounts specified above must be aggregated, set off and applied in the order set out in the calculation above and in such order as is further required, restricted or limited by Rules 102(q), 906(b) and 908 and provided further that any amount is only included in respect of the relevant net sum to the extent allowed pursuant to Rule 906(b).

(b) Where the Defaulter has one or more Customer Accounts or was Sponsor in respect of one or more Individually Segregated Sponsored Accounts, the process set out in Rule 906(a) shall be completed separately, and separate net sums shall be determined, in respect of:

(i) each of the Defaulter's Non-DCM/Swap Customer Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(ii) each of the Defaulter's Swap Customer Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(iii) each of the Defaulter's DCM Customer Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(iv) each of the Defaulter's SBS Customer Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(v) each of the Defaulter's General Customer Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account in respect of F&O Contracts;

(vi) each of the Defaulter's Segregated Customer Omnibus Accounts For F&O, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(vii) each of the Defaulter's Segregated TTFCA Customer Omnibus Accounts For F&O, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(viii) each of the Defaulter's Segregated Customer Omnibus Accounts For CDS, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(ix) each of the Defaulter's Segregated TTFCA Customer Omnibus Accounts For CDS, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(x) each of the Defaulter's Segregated Customer Omnibus Account For FX, including in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xi) each of the Defaulter's Segregated TTFCA Customer Omnibus Accounts For FX, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xii) each of the Defaulter's Margin-flow Co-mingled Accounts, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xiii) each of the Defaulter's Standard Omnibus Indirect Accounts For F&O, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xiv) each of the Defaulter's Standard TTFCA Omnibus Indirect Accounts For F&O, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xv) each of the Defaulter's Standard Omnibus Indirect Accounts For CDS, including, in respect of each such Account, the Contracts, rights, obligations and liabilities relating to each such Account;

(xvi) each of the Defaulter's Standard TTFCA 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 TTFCA 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 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

(C) in respect of an Individually Segregated Sponsored Account of a Sponsored Principal, to the Sponsored Principal or Sponsor as permitted pursuant to Rule 904(r)(vi),

in the case of (A) or (B) above only if the Clearing House is aware of the identity of the Customer or indirect client in question, and in all cases where the Clearing House is aware of an appropriate account to receive transfer of such net sum.

If the Clearing House makes payment in respect of amounts which would have otherwise been included any net sum to or to the account of a Person other than the Defaulter in accordance with these Rules or any Pledged Collateral Addendum, the Defaulter's claim against the Clearing House shall be accordingly reduced by the amount paid to such Person and the amount of any net sum *N* payable to the Defaulter shall be accordingly reduced. Where *N* is equal to zero, no amount shall be payable as between the Clearing House and the Defaulter pursuant to this Rule 906. Where there is more than one separately certified amount *N* certified under Rule 906(e) as a result of Rule 906(b), each amount so certified shall be treated as a separate obligation which cannot be netted off against another certified amount *N* in respect of a different account of the Defaulter.

(e) Each amount *N* shall be certified by the Clearing House promptly upon its determination. Such determination may be delayed or withheld until such time as all relevant sums and components have been evaluated, all Transfers have been completed and the value or sale proceeds of any non-cash Margin, Surplus Collateral, Guaranty Fund Contributions or other assets are determined, received or available. A certificate of the Clearing House made pursuant to this Rule 906(e) shall be conclusive as to the amount required to be paid by or to any Defaulter or other Person in discharge of rights and liabilities in respect of the Contracts, property and Account to which such certificate relates.

(f) If a Disclosed Principal Member and the Clearing Member that appointed the Disclosed Principal Member are both Defaulters, the Clearing House shall be entitled to set-off any amount or asset to the credit of either Defaulter against any liability or obligation of the other Defaulter for the purposes of calculating any net sum under this Rule 906 and may exercise any of its powers under this Part 9 accordingly.

(g) The Clearing House and each Clearing Member or Sponsored Principal with a Pledged Collateral Account acknowledge and agree that Pledged Collateral: (i) is provided pursuant to a charge over property provided as margin in respect of market contracts entered into by the Clearing House; and (ii) is provided to secure the obligation to pay the Clearing House any sum due to the Clearing House in respect of unsettled market contracts to which the Clearing Member or Sponsored Principal is party as set forth in these Rules, in respect of the account that is or relates to a Pledged Collateral Account. Accordingly, the Clearing House and each such Clearing Member intend and agree that all Pledged Collateral provided to the Clearing House is provided pursuant to a "market charge" for purposes of the Companies Act 1989.

(h) Any amounts received from a letter of credit issuer in respect of Margin, Surplus Collateral or Guaranty Fund Contributions may at the discretion of the Clearing House be returned to the letter of credit issuer and not included in any net sum calculation relating to an Account of a Defaulter, to the extent that such amounts are not needed to cover a loss or shortfall, to the extent that the same is permitted pursuant to the terms of the letter of credit in question.

**Rule 907** ***Administrative matters concerning an Event of Default***

(a) The Clearing House may co-operate, by the sharing of information and otherwise, with any Governmental Authority, Clearing Organisation, Exchange or Insolvency Practitioner having responsibility for any matter arising out of, or connected with, an Event of Default or the default of a recognised investment exchange or another recognised clearing house.

(b) The Clearing House will report to the Defaulter or any relevant Insolvency Practitioner, on steps taken pursuant to this Part 9.

(c) In accordance with Rule 905(f), any failure to meet any of its obligations under these Rules or in respect of any Contract remains a liability of the Defaulter to the Clearing House regardless of any steps taken by the Clearing House under these Rules. The Clearing House may recover such sums due by exercising its right of set off (to the extent permitted to be used under these Rules) or by legal process.

To the extent that the Event of Default in question has resulted in application of any Guaranty Fund Contributions of Clearing Members that are not Defaulters:

(i) to the extent necessary for this purpose, each Clearing Member authorises and appoints the Clearing House to pursue any such collections or recoveries on behalf of the Clearing House and Clearing Members; and

(ii) without prejudice to Rule 111 or 905(f), the Clearing House shall be obliged to such Clearing Members to exercise the same degree of care in the administration, enforcement and collection of any claims against a Defaulter or its insolvency estate with respect to any remaining liability of a Defaulter to the Clearing House as it exercises with respect to its own assets that are not subject to allocation pursuant to Rule 914(j), Rule 916(n) or Rule 1102(k). The Clearing House may determine, in its reasonable discretion, whether or not to commence, continue, maintain, sell, dispose of or settle or compromise any litigation, arbitration or other action with respect to any liability of a Defaulter, without the consent of any Clearing Member or other Person. The Clearing House may, in its discretion, assign to Clearing Members any claims relating to collections or recoveries from Defaulters, in whole or in part, and such assignment shall satisfy in full the Clearing House's obligations under Rule 914(j), Rule 916(n) and Rule 1102(k) with respect to any such claim (or portion thereof) or recoveries therefrom.

For the avoidance of doubt, nothing in these Rules shall otherwise oblige the Clearing House to take any step to recover any asset or amount in the possession of a Defaulter or one of its Customers in connection with an Event of Default.

(d) Without prejudice to the Clearing House relying on any other information provided to it by a Clearing Member or any other Person, the Clearing House shall be entitled to rely on the most recent information provided to it in relation to Default Portability Preferences and Non-Transfer Positions and Margin provided to the Clearing House by a Defaulter prior to declaration of an Event of Default, notwithstanding any notice or purported notice to the contrary from a Defaulter, its Insolvency Practitioner or any other Person received by the Clearing House after declaration of an Event of Default. The Clearing House shall have no obligation to enquire of any Customer, Sponsored Principal or other Person as to any Default Portability Preference or Non-Transfer Positions. The rights of the Clearing House to deal with Margin and other Permitted Cover under the default rules shall not be restricted as a consequence of a Defaulter having either entered into any indebtedness with a Customer or having provided different forms of collateral to the Clearing House from that which it had received from its Customer, in either case in order to facilitate the provision of Permitted Cover to the Clearing House.

(e) A Defaulter shall immediately disclose the names, addresses and contact details of each of its Customers or any Customer upon receiving notice to do so from the Clearing House.

(f) Rule 202(a)(xii) shall apply in respect of the Defaulter for the benefit of the Clearing House and any Transferee Clearing Member in respect of each Transfer of Contracts (and any related Customer-CM Transactions) and any related transfer of Margin or other assets taking place pursuant to this Part 9.

(g) The Clearing House (including any Insolvency Practitioner with powers over the Clearing House or other Representative) and all Clearing Members, Sponsored Principals and Customers and their Representatives (including any Insolvency Practitioner with powers over any Clearing Member, Sponsored Principal, Customer or other Representative) shall, to the extent permitted by Applicable Laws:

(i) refrain from taking any action or seeking any order of any Governmental Authority that would result in or facilitate any asset or liability being applied contrary to the requirements of this Part 9; and

(ii) take all reasonable steps possible including, without limitation, the application for and procurement of such orders from such Governmental Authorities as are necessary, to ensure that assets of the Clearing House are applied only pursuant to this Part 9.

(h) Notwithstanding any other provision of these Rules or the Finance Procedures concerning the use of Nominated Bank Accounts or Approved Financial Institutions, any amount payable to or from the Clearing House following the declaration of a net sum in accordance with this Part 9 may be paid to or from an account other than a Nominated Bank Account and/or to or from an account other than with an Approved Financial Institution that has previously been designated as such by the Clearing House, provided that:

(i) the account is an account of the Defaulter or an account operated by an Insolvency Practitioner on behalf of the Defaulter;

(ii) in the case of payments to the Defaulter, details of the account to be used and such other information relating to the account as is reasonably requested by the Clearing House are provided in writing to the Clearing House by the Defaulter or its Insolvency Practitioner; and

(iii) the bank of the account to which such payment is made shall be treated as if it were an Approved Financial Institution for purposes of any payments referred to in this Rule 907(h) and Part 12 without the need for any further action on the part of the Clearing House.

(i) If an Event of Default occurs affecting a CDS Clearing Member or Sponsored Principal with open CDS Contracts, the Clearing House shall convene the CDS Default Committee. The CDS Default Committee shall have the competences specified in the CDS Procedures.

(j) Without prejudice to the status of any other provision of the Rules that is potentially applicable following an Event of Default as a default rule or similar concept for purposes of the Companies Act 1989 or similar concept under any of the Applicable Laws referred to in the opening paragraph of this Part 9:

(i) the provisions of the CDS Procedures relevant to a default shall apply if the Defaulter is or was a CDS Clearing Member and shall amount to default rules for the purposes of these Rules and Applicable Laws;

(ii) Part 12 and Rule 1604 contain additional default rules; and

(iii) where any defined term is used in a default rule or any general interpretative provision of these Rules is relevant to the interpretation of a default rule, the definition of that term or that interpretative provision is itself also a default rule.

(k) If an FX Clearing Member or Sponsored Principal with open FX Contracts is declared to be a Defaulter, the Clearing House shall convene the FX Default Committee. The FX Default Committee shall have the competences specified in the Procedures.

(l) The provisions of the FX Procedures relevant to a default shall apply if the Defaulter is or was an FX Clearing Member and shall amount to default rules for the purposes of the Rules and Applicable Laws.

(m)

(i) If an event has occurred with respect to a Customer, with respect to a Customer-Clearing Member Agreement, Customer-CM Transaction or otherwise, which would constitute any Event of Default hereunder (if it had occurred with respect to a Clearing Member), then:

(A) the Clearing Member may, through the ICE Systems or otherwise, request that the Clearing House take such steps as are necessary to Transfer any Contracts, Margin or other Permitted Cover recorded in a Customer Account of that Clearing Member, to the extent relating to such Customer,

to a Proprietary Account of the same Clearing Member (or a different Customer Account of the same Clearing Member in which the Customer is interested);

(B) the Clearing House may as a result of such request assume that such event means that the Customer is unable, or likely to be unable, to meet its obligations in respect of one or more 'market contracts' (as defined in the Companies Act 1989) and may therefore further assume that the Sponsored Principal (if applicable) is capable of being declared a Defaulter, or the Customer (were it to be a Clearing Member) would be capable of being declared a Defaulter, under this Part 9, and act upon any such request, through the ICE Systems or otherwise; and

(C) the Clearing House will: (1) to the extent permissible under Applicable Laws; (2) if so requested by a Clearing Member that is not a Defaulter; and (3) where such request contains a confirmation from the Clearing Member that such an event exists (upon which the Clearing House may rely, without enquiry, including for the purposes of Rule 111), act upon any such request, through the ICE Systems or otherwise.

(ii) If an event has occurred with respect to a Customer or an Indirect Client of a Customer or a Clearing Member, with respect to a Customer-Clearing Member Agreement, Customer-CM Transaction or otherwise, which would constitute any Event of Default hereunder (if it had occurred with respect to a Clearing Member), then:

(A) the Clearing Member may, through the ICE Systems or otherwise request that the Clearing House take such necessary steps to Transfer any Contracts, Margin or other Permitted Cover recorded in or related to a Standard Omnibus Indirect Account or Segregated Gross Indirect Account of that Clearing Member, or in the case of an FCM/BD Clearing Member, an indirect clearing position keeping subaccount linked to a Customer Account, to the extent relating to such Customer or Indirect Client, to a different Account or subaccount of the same Clearing Member or will update the records relating to such an Account or subaccount, in which the Customer is interested;

(B) the Clearing House may as a result of such request assume that such event means that the Customer or Indirect Client of a Customer or a Clearing Member is unable, or likely to be unable, to meet its obligations in respect of one or more 'market contracts' (as defined in the Companies Act 1989) and may therefore further assume that the Sponsored Principal (if applicable) is capable of being declared a Defaulter, or the Customer or Indirect Client of a Customer or Clearing Member (were such Customer or Indirect Client to be a Clearing Member) would be capable of being declared a Defaulter, under this Part 9, and act upon any such request, through the ICE Systems or otherwise; and

(C) the Clearing House will: (1) to the extent permissible under Applicable Laws; (2) if so requested by a Clearing Member that is not a Defaulter; and (3) where such request contains a confirmation from the Clearing Member that such an event exists (upon which the Clearing House may rely, without enquiry, including for the purposes of Rule 111), act upon any such request, through the ICE Systems or otherwise.

For the avoidance of doubt, this Rule 907(m) applies equally to a request by a Sponsor following an Event of Default (whether or not declared) in respect of a Sponsored Principal or a breach by a Sponsored Principal of, or a default of a Sponsored Principal under, a Customer-Clearing Member Agreement. Nothing in this Rule 907(m) shall limit any of the Clearing House's rights to declare a Sponsored Principal to be a Defaulter or to exercise any of its rights resulting from such a declaration under this Part 9.

**Rule 908** ***Application of Assets upon an Event of Default***

(a) Notwithstanding any other provision of these Rules:

(i) if a Defaulter was only liable to make a Guaranty Fund Contribution relating to a single Membership Category, no Guaranty Fund Contributions, Assessment Contributions, or Clearing House Contributions relating to a different Membership Category shall be applied by the Clearing House to meet any obligations or liabilities of the Defaulter or any shortfall, loss or liability to the Clearing House arising from the Event of Default;

(ii) if a Defaulter was only liable to make Guaranty Fund Contributions relating to two Membership Categories, no Guaranty Fund Contributions, Assessment Contributions or Clearing House Contributions relating to a different Membership Category shall be applied by the Clearing House to meet any obligations or liabilities of the Defaulter or any shortfall, loss or liability to the Clearing House arising from the Event of Default;

(iii) any Guaranty Fund Contributions (including additional Guaranty Fund Contributions) invoiced to or transferred by Clearing Members that are not Defaulters or accrued in each case after the declaration of an Event of Default but prior to the completion of the relevant default proceedings for the Event of Default shall not be applied to meet any obligations or liabilities of the Defaulter or any shortfall, loss or liability to the Clearing House arising in connection with that prior Event of Default;

(iv) if a Defaulter was a CDS Clearing Member and had one or more other Membership Categories and any CDS Guaranty Fund Contribution of the Defaulter is applied other than as described in Rule 908(g)(ii)(B), no non-defaulting CDS Clearing Member shall be required to make any payment to replenish the CDS Guaranty Fund under Rule 1102(i) or (j) in respect of the resulting incremental shortfall to the CDS Guaranty Fund caused by such application of assets prior to the date which is the first day of the next following Guaranty Fund Period for the CDS Guaranty

Fund (other than pursuant to Rule 903(e), if the non-defaulting CDS Clearing Member becomes a Defaulter;

(v) without limitation to the generality of Rule 102(q), this Rule 908 is subject to Rule 102(q);

(vi) where the loss or shortfall relates to Energy Contracts: (A) the Clearing House F&O Initial (Energy) Contribution shall be applied and exhausted prior to applying the Clearing House F&O Initial (Financials & Softs) Contribution; (B) the F&O Guaranty Fund Contributions relating to Energy Contracts shall be applied and exhausted prior to applying the F&O Guaranty Fund Contributions relating to Financials & Softs Contracts; (C) the Clearing House F&O GF (Energy) Contribution shall be applied and exhausted prior to applying the Clearing House F&O GF (Financials & Softs) Contribution; and (D) F&O Assessment Contributions relating to Energy Contracts shall be applied and exhausted prior to applying F&O Assessment Contributions relating to Financials & Softs Contracts;

(vii) where the loss or shortfall relates to Financials & Softs Contracts: (A) the Clearing House F&O Initial (Financials & Softs) Contribution shall be applied and exhausted prior to applying the Clearing House F&O Initial (Energy) Contribution; (B) the F&O Guaranty Fund Contributions relating to Financials & Softs Contracts shall be applied and exhausted prior to applying the F&O Guaranty Fund Contributions relating to Energy Contracts; (C) the Clearing House F&O GF (Financials & Softs) Contribution shall be applied and exhausted prior to applying the Clearing House F&O GF (Energy) Contribution; and (D) F&O Assessment Contributions relating to Financials & Softs Contracts shall be applied and exhausted prior to applying F&O Assessment Contributions relating to Energy Contracts;

(viii) in determining whether a loss or shortfall relates to Energy Contracts or to Financials & Softs Contracts for the purposes of Rule 908(a)(vi) or (vii), the principles set out in Rule 908(e) for the attribution of liabilities to particular Contract Categories shall be applied as if Energy Contracts and Financials & Softs Contracts were two separate Contract Categories, *mutatis mutandis*; and

(ix) in relation to an Event of Default declared in respect of a Sponsored Principal, the Clearing House will not apply any Guaranty Fund Contributions, Assessment Contributions or other assets of Clearing Members other than the Sponsor to meet any loss or shortfall, unless the Sponsor has itself also been declared subject to an Event of Default.

(b) In the case of a Defaulter that was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O (but neither a CDS Clearing Member nor an FX Clearing Member, nor authorised to clear CDS or FX), the Clearing House shall be entitled to apply assets to meet the obligations and liabilities of the Defaulter and any shortfall, loss or liability to the Clearing House upon or following any Event of Default of that Defaulter

(including in connection with any net sum calculated under Rule 906), by applying the following assets in the order of recourse set out below:

(i) first, any amounts falling under *N* in Rule 906(a) in the order and in respect of the Accounts specified in Rule 906(a) subject to the restrictions set out in Rule 906(c) (provided that the Clearing House shall not be required to assert or pursue any such claim or bring any such action as a precondition to applying assets referred to in Rule 908(b)(ii) to (v) but shall be required to account for any subsequent proceeds not included in the amount determined, less the costs of realising any such claim or action or obtaining such amount or asset);

(ii) second, the Clearing House F&O Initial Contribution;

(iii) third, subject to Rules 908(i) and 1103(e), any claims under any default insurance policies (including the proceeds of any claim) of which the Clearing House is the beneficiary that have been received by the Clearing House in cleared funds as a result of the Event of Default (it being understood that the Clearing House shall not be obliged to obtain or maintain any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in this Rule 908(b), subject to Rule 1102(k));

(iv) fourth (subject to Rule 908(i)):

(A) F&O Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where relevant, any surplus F&O Guaranty Fund Contributions of other Defaulters, if two or more Default proceedings take place concurrently and any such surplus is available); and

(B) the Clearing House F&O GF Contribution,

on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all F&O Guaranty Fund Contributions (excluding F&O Guaranty Fund Contributions of the Defaulter and F&O Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House F&O GF Contribution at the time of the Event of Default; and

(v) fifth (subject to Rule 908(i)), F&O Assessment Contributions received by the Clearing House pursuant to Rule 909.

(c) In the case of a Defaulter that was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS (but neither an F&O Clearing Member nor an FX Clearing Member nor authorised to clear F&O or FX), the Clearing House shall be entitled to apply assets to meet the obligations and liabilities of the Defaulter and any shortfall, loss or liability to the Clearing House upon or following any Event of Default of that Defaulter (including in connection with any net sum calculated under Rule 906), by applying the following assets in the order of recourse set out below:

(i) first, any amounts falling under *N* in Rule 906(a) in the order and in respect of the Accounts specified in Rule 906(a) subject to the restrictions set out in Rule 906(c) (provided that the Clearing House shall not be required to assert or pursue any such claim or bring any such action as a precondition to applying assets referred to in Rule 908(c)(ii) to (v) but shall be required to account for any subsequent proceeds not included in the amount determined, less the costs of realising any such claim or action or obtaining such amount or asset);

(ii) second, the Clearing House CDS Initial Contribution;

(iii) third, subject to Rules 908(i) and 1103(e), any claims under any default insurance policies (including the proceeds of any claim) of which the Clearing House is the beneficiary that have been received by the Clearing House in cleared funds as a result of the Event of Default (it being understood that the Clearing House shall not be obliged to obtain or maintain any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in this Rule 908(c), subject to Rule 1102(k));

(iv) fourth (subject to Rule 908(i)):

(A) CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where relevant, any surplus CDS Guaranty Fund Contributions of other Defaulters, if two or more Default proceedings take place concurrently and any such surplus is available); and

(B) the Clearing House CDS GF Contribution,

on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default; and

(v) fifth (subject to Rule 908(i)), CDS Assessment Contributions received by the Clearing House pursuant to Rule 909.

(d) In the case of a Defaulter that was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX (but neither an F&O Clearing Member nor a CDS Clearing Member nor authorised to clear F&O or CDS), the Clearing House shall be entitled to apply assets to meet the obligations and liabilities of the Defaulter and any shortfall, loss or liability to the Clearing House upon or following any Event of Default of that Defaulter (including in connection with any net sum calculated under Rule 906), by applying the following assets in the order of recourse set out below:

(i) first, any amounts falling under *N* in Rule 906(a), in the order and in respect of the Accounts specified in Rule 906(a) subject to the restrictions set out in Rule 906(c) (provided that the Clearing House shall not be required to assert or pursue any such

claim or bring any such action as a precondition to applying assets referred to in paragraphs Rule 908(d)(ii) to (v) below but shall be required to account for any subsequent proceeds not included in the amount determined, less the costs of realising any such claim or action or obtaining such amount or asset);

(ii) second, the Clearing House FX Initial Contribution;

(iii) third, subject to Rules 908(i) and 1103(e), any claims under any default insurance policies (including the proceeds of any claim) of which the Clearing House is the beneficiary that have been received by the Clearing House in cleared funds as a result of the Event of Default (it being understood that the Clearing House shall not be obliged to obtain or maintain any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in this Rule 908(d), subject to Rule 1102(k));

(iv) fourth (subject to Rule 908(i)):

(A) FX Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where relevant, any surplus FX Guaranty Fund Contributions of other Defaulters, if two or more Default proceedings take place concurrently and any such surplus is available); and

(B) the Clearing House FX GF Contribution,

on a basis *pro rata* (subject to Rule 908(i)), to the sum of the total of all FX Guaranty Fund Contributions (excluding FX Guaranty Fund Contributions of the Defaulter and FX Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House FX GF Contribution at the time of the Event of Default; and

(v) fifth, (subject to Rule 908(i)), FX Assessment Contributions received by the Clearing House pursuant to Rule 909.

(e) In the case of a Defaulter which held multiple Membership Categories, separate amounts shall be calculated in accordance with Rule 906(a) to (c) as if they were "net sums", *mutatis mutandis* in respect of assets and liabilities relating to the Clearing of F&O Contracts ("**F&O Default Amount**"), the Clearing of CDS Contracts ("**CDS Default Amount**") and the Clearing of FX Contracts ("**FX Default Amount**"), as follows:

(i) if an Account in respect of which a positive net sum was produced was used solely for the Clearing of F&O Contracts, then the net sum declared in respect of such account shall be the sole element of the F&O Default Amount in respect of such Account;

(ii) if an Account in respect of which a positive net sum was produced was used solely for the Clearing of CDS Contracts, then the net sum declared in respect of such account shall be the sole element of the CDS Default Amount in respect of such Account;

(iii) if an Account in respect of which a positive net sum was produced was used solely for the Clearing of FX Contracts, then the net sum declared in respect of such account shall be the sole element of the FX Default Amount in respect of such Account;

(iv) if an Account in respect of which a positive net sum was produced was used for the Clearing of Contracts consisting of more than one Contract Category then:

(A) the CDS Default Amount shall include an amount in respect of such Account calculated by taking into account: any amounts, assets or liabilities included or to be included within the calculation of the amount *N* in Rule 906(a) in respect of CDS Contracts, Margin or Surplus Collateral in respect of positions in CDS Contracts and any other amounts, assets or liabilities relating in any case exclusively to CDS Contracts of the Defaulter, together with such Guaranty Fund Contributions, Non-Exclusive Assets and Non-Exclusive Liabilities as are included as set out below;

(B) the F&O Default Amount shall include an amount in respect of such Account calculated by taking into account: any amounts, assets or liabilities included or to be included within the calculation of the amount *N* in Rule 906(a) in respect of F&O Contracts, Margin or Surplus Collateral in respect of F&O Contracts and any other amounts, assets or liabilities relating in any case exclusively to F&O Contracts of the Defaulter, together with such Guaranty Fund Contributions, Non-Exclusive Assets and Non-Exclusive Liabilities as are included as set out below;

(C) the FX Default Amount shall include an amount in respect of such Account calculated by taking into account: any amounts, assets or liabilities included or to be included within the calculation of the amount *N* in Rule 906(a) in respect of FX Contracts, Margin or Surplus Collateral in respect of positions in FX Contracts and any other amounts, assets or liabilities relating in any case exclusively to FX Contracts of the Defaulter, together with such Guaranty Fund Contributions, Non-Exclusive Assets and Non-Exclusive Liabilities as are included as set out below; and

(v) notwithstanding Rule 908(e)(i), (ii), (iii) or (iv), Guaranty Fund Contributions of any kind shall be applied as follows as between Default Amounts:

(A) in the case of F&O Guaranty Fund Contributions, first to meeting any loss, shortfall or liability that would otherwise be represented in the F&O Default Amount;

(B) in the case of CDS Guaranty Fund Contributions, first to meeting any loss, shortfall or liability that would otherwise be represented in the CDS Default Amount;

(C) in the case of FX Guaranty Fund Contributions, first to meeting any loss, shortfall or liability that would otherwise be represented in the FX Default Amount;

(D) in the case of any remaining Guaranty Fund Contributions, next towards eliminating any loss, shortfall or liability that would otherwise be represented in any Default Amount;

(E) to the extent that there is no further loss, shortfall or liability reflected in any Default Amount following application of Guaranty Fund Contributions under (A) to (D), F&O Guaranty Fund Contributions shall be included in the F&O Default Amount, CDS Guaranty Fund Contributions shall be included in the CDS Default Amount and FX Guaranty Fund Contributions shall be included in the FX Default Amount.

(vi) "**Non-Exclusive Assets**" constitute any amounts or assets included or to be included within the calculation of the amount *N* in Rule 906(a) not relating exclusively to any one Contract Category, but excluding Guaranty Fund Contributions. Non-Exclusive Assets may be included in the calculation of any of the Default Amounts in question or split between such calculations at the Clearing House's discretion, provided that:

(A) to the extent that two or more of the Default Amounts represent or would (but for this provision) represent a shortfall, loss or liability (in this Rule 908(e)(ii),"**Shortfall Default Amounts**"), the Non-Exclusive Assets must be included in the calculation of the Shortfall Default Amounts in proportion to the Margin requirements of the Defaulter for each Contract Category corresponding to each Shortfall Default Amount immediately prior to the Event of Default until one of the Shortfall Default Amounts would represent zero; and

(B) subject to the process in paragraph (A) above first being completed if applicable, to the extent that one or two of the Default Amounts in question represent(s) or would (but for this provision) represent a surplus to the Clearing House and the other or others represent or would (but for this provision) represent a shortfall, loss or liability to the Clearing House, the Non-Exclusive Assets must be included in the relevant calculation so as to eliminate or reduce the shortfall, loss or liability *pro rata* as to the losses.

(vii) "**Non-Exclusive Liabilities**" constitute any liabilities included or to be included within the calculation of the amount *N* in Rule 906(a) not relating exclusively to any one Contract Category. Non-Exclusive Liabilities may be included in the calculation of any of the Default Amounts in question or split between such calculations at the Clearing House's discretion, provided that:

(A) to the extent that two or more of the Default Amounts (after the adjustment for Non-Exclusive Assets in Rule 908(e)(vi)) represent or would (but for

this provision) represent a surplus (in this Rule 908(e)(vii), "**Surplus Default Amounts**"), the Non-Exclusive Liabilities must be included in the calculation of the Surplus Default Amounts in proportion to the Margin requirements of the Defaulter for each Contract Category corresponding to each Surplus Default Amount immediately prior to the Event of Default until one of the Surplus Default Amounts would represent zero; and

(B) subject to the process in paragraph (A) above first being completed if applicable, to the extent that one or two of the Default Amounts in question represent(s) or would (but for this provision) represent a surplus to the Clearing House and the other or others represent or would (but for this provision) represent a shortfall, loss or liability to the Clearing House, Non-Exclusive Liabilities must first be included in the relevant calculation against the surplus *pro rata* as to the surpluses.

(f) In any instance in which assets are to be applied pursuant to Rule 908(g)(ii)(A) to (C), the Clearing House shall notify affected Clearing Members of the amount of any F&O Default Amount, CDS Default Amount and/or FX Default Amount that is required to be calculated under Rule 908(e). For the avoidance of doubt, any F&O Default Amount, CDS Default Amount and/or FX Default Amount so published shall not constitute a "net sum" for purposes of Rule 906, the Companies Act 1989 or the Settlement Finality Regulations.

(g) In the case of a Defaulter which held multiple Membership Categories, the Clearing House shall be entitled to apply assets to meet the obligations and liabilities of the Defaulter and any shortfall, loss or liability to the Clearing House upon or following any Event of Default of that Defaulter (including in connection with any net sum calculated under Rule 906), in the following order of recourse:

(i) first, any amounts falling under *N* in Rule 906(a), in the order and in respect of the Accounts specified in Rule 906(a) provided that:

(A) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, F&O Guaranty Fund Contributions of the Defaulter in question or its Sponsor must first be applied by the Clearing House against any shortfall, loss or liability relevant to the F&O Default Amount;

(B) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Guaranty Fund Contributions of the Defaulter in question or its Sponsor must first be applied by the Clearing House against any shortfall, loss or liability relevant to the CDS Default Amount;

(C) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, FX Guaranty Fund Contributions of the Defaulter in question or its Sponsor must first be applied by the Clearing House against any liabilities relevant to the FX Default Amount;

(D) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, subject to paragraphs (A), (B) and (C) above, any F&O Guaranty Fund Contributions of the Defaulter in question or its Sponsor may be applied against any other shortfall, loss or liability but only to the extent that such assets have not been applied in respect of any subsequent Event of Default affecting an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O;

(E) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, subject to paragraphs (A), (B) and (C) above, any CDS Guaranty Fund Contributions of the Defaulter or its Sponsor may be applied against any other shortfall, loss or liability but only after the earliest date on which non-defaulting CDS Clearing Members are required to replenish the CDS Guaranty Fund pursuant to Rule 908(a)(iv) and only to the extent that such assets have not been applied in respect of any subsequent Event of Default affecting a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS; and

(F) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, subject to paragraphs (A), (B) and (C) above, any FX Guaranty Fund Contributions of the Defaulter or its Sponsor may be applied against any other shortfall, loss or liability but only to the extent that such assets have not been applied in respect of any subsequent Event of Default affecting an FX Clearing Member or a Sponsored Principal that was authorised to clear FX;

(G) the Clearing House shall not be required to assert or pursue any such claim or bring any such action as a precondition to applying assets referred to in Rule 908(g)(ii) to (v) but shall be required to account for any subsequent proceeds not included in the amount determined, less the costs of realising any such claim or action or obtaining such amount or asset);

(ii) second:

(A) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, the Clearing House F&O Initial Contribution, provided that it shall only be applied up to the extent of any F&O Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the F&O Default Amount represents a shortfall, loss or liability;

(B) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, the Clearing House CDS Initial Contribution, provided that it shall only be applied up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount represents a shortfall, loss or liability; and

(C) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, the Clearing House FX Initial Contribution, provided that it shall only be applied up to the extent of any FX Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the FX Default Amount represents a shortfall, loss or liability;

(iii) third, subject to Rules 908(i) and 1103(e), any claims under any default insurance policies (including the proceeds of any claim) of which the Clearing House is the beneficiary that are available to the Clearing House as a result of the Event of Default (it being understood that the Clearing House shall not be obliged to obtain or maintain any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in this Rule 908(g), subject to Rule 1102(k)), provided that any proceeds of any such claim shall be applied to each Default Amount on a basis pro rata to the shortfall, loss or liability of each Default Amount (less any amounts applied to such Default Amounts pursuant to 908(g)(ii));

(iv) fourth (subject to Rule 908(i)):

(A) Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where relevant, any surplus Guaranty Fund Contributions of other Defaulters and proceeds of the realisation thereof, if two or more Default proceedings take place concurrently and any such surplus is available);

(B) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, the Clearing House F&O GF Contribution;

(C) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, the Clearing House CDS GF Contribution in the order of priority set forth in the CDS Default Auction Procedures; and

(D) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, the Clearing House FX GF Contribution;

provided that:

(1) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, F&O Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor, the Clearing House F&O GF Contribution shall only be applied towards and up to the extent of any F&O Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the F&O Default Amount less any Clearing House F&O Initial Contribution applied in accordance with Rule 908(g)(ii)(A) represents a shortfall, loss or liability;

(2) if a Defaulter was a CDS Clearing Member or a Sponsored Principal authorised to clear CDS, CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor, the Clearing House CDS GF Contribution shall only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B) represents a shortfall, loss or liability; and

(3) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, FX Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor, the Clearing House FX GF Contribution shall only be applied towards and up to the extent of any FX Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the FX Default Amount less any Clearing House FX Initial Contribution applied in accordance with Rule 908(g)(ii)(C) represents a shortfall, loss or liability;

and provided further that:

(X) in the case of a Defaulter who was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, F&O Guaranty Fund Contributions and the Clearing House F&O GF Contribution are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all F&O Guaranty Fund Contributions (excluding F&O Guaranty Fund Contributions of the Defaulter in question or its Sponsor and F&O Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House F&O GF Contribution at the time of the Event of Default;

(Y) in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Guaranty Fund Contributions and the Clearing House CDS GF Contribution are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter in question or its Sponsor and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default; and

(Z) in the case of a Defaulter who was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, FX Guaranty Fund Contributions and the Clearing House FX GF Contribution are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all FX Guaranty Fund Contributions (excluding FX Guaranty Fund Contributions of the Defaulter in question or its Sponsor and FX Guaranty Fund Contributions of other

Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House FX GF Contribution at the time of the Event of Default; and

(v) fifth (subject to Rule 908(i)), Assessment Contributions received by the Clearing House pursuant to Rule 909, provided that:

(1) if a Defaulter was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, F&O Assessment Contributions of Clearing Members other than the Defaulter shall only be applied towards and up to the extent of any F&O Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the F&O Default Amount less any Clearing House F&O Initial Contribution applied in accordance with Rule 908(g)(ii)(A), F&O Guaranty Fund Contributions applied in accordance with Rule 908(g)(iii)(A) and Clearing House F&O GF Contribution applied in accordance with Rule 908(g)(iii)(B) represents a shortfall, loss or liability;

(2) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions of Clearing Members other than the Defaulter in question shall only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B), CDS Guaranty Fund Contributions applied in accordance with Rule 908(g)(iv)(A) and Clearing House CDS GF Contribution applied in accordance with Rule 908(g)(iv)(C) represents a shortfall, loss or liability; and

(3) if a Defaulter was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, FX Assessment Contributions of Clearing Members other than the Defaulter in question shall only be applied towards and up to the extent of any FX Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the FX Default Amount less any Clearing House FX Initial Contribution applied in accordance with Rule 908(g)(ii)(C), FX Guaranty Fund Contributions applied in accordance with Rule 908(g)(iv)(A) and Clearing House FX GF Contribution applied in accordance with Rule 908(g)(iv)(D) represents a shortfall, loss or liability;

and provided further that:

(X) in the case of a Defaulter who was an F&O Clearing Member or a Sponsored Principal that was authorised to clear F&O, F&O Assessment Contributions are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all F&O Assessment Contributions received by the Clearing House;

(Y) in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all CDS Assessment Contributions received by the Clearing House; and

(Z) in the case of a Defaulter who was an FX Clearing Member or a Sponsored Principal that was authorised to clear FX, FX Assessment Contributions are applied on a basis *pro rata* (subject to Rule 908(i)) to the sum of the total of all FX Assessment Contributions received by the Clearing House.

(h) The requirements of this Rule 908 shall apply and be binding upon the Clearing House and all Clearing Members and Sponsored Principals including upon the event of any Insolvency affecting the Clearing House or any Clearing Member or Sponsored Principal. The Clearing House (including any Insolvency Practitioner with powers over the Clearing House or other Representative) and all Clearing Members and Sponsored Principals (including any Insolvency Practitioner with powers over any Clearing Member or Sponsored Principal or their Representatives) shall, to the extent permitted by Applicable Laws:

(i) refrain from taking any action or seeking any order of any Governmental Authority that would result in or facilitate any asset or liability being applied contrary to the requirements of this Part 9; and

(ii) take all reasonable steps possible including, without limitation, the application for and procurement of such orders from such Governmental Authorities as are necessary, to ensure that assets of the Clearing House are applied only pursuant to this Part 9.

(i) Notwithstanding Rule 908(b)(iv)-(v), (c)(iv)-(v), (d)(iv)-(v), (g)(iv) and Rules (g)(v) and Rule 909, if a Default Auction is held, the Guaranty Fund Contributions of particular non-defaulting Clearing Members (or other funds transferred to the Clearing House by other Default Auction participants) may be applied in different orders or sequences, and Assessment Contributions may be called in different orders or sequences, rather than being applied or called *pro rata* for all Clearing Members, with reference to the bids made or other behaviours in the Default Auction, in accordance with the applicable provisions of the Default Auction Procedures. Any capitalised terms used in this Rule 908(i) but not defined in Rule 101 shall have the meaning set out in the CDS Default Auction Procedures.

(i) Where a CDS Default Auction is held the following modifications shall be made:

(A) Rule 908(c)(iv)-(v) shall be modified to read as follows in relation to all Lots comprising an Initial CDS Auction:

*(iii) fourth:*

*(A) CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where*

*relevant, any surplus CDS Guaranty Fund Contributions of other Defaulters, if two or more Default proceedings take place concurrently and any such surplus is available)**, Direct Auction Participant Contributions and any Replenishment Amounts shall be applied based on the CDS Auction Priority GF Sequence**;*

*(B) the Clearing House CDS GF Contribution,*

~~***on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default; and***~~

*(v) fifth, CDS Assessment Contributions received by the Clearing House pursuant to Rule 909 **shall be applied based on the CDS Auction Priority AC Sequence**."*

(B) Rule 908(g) shall be modified to read as follows in relation to all Lots comprising an Initial CDS Auction*:*

*"(iv) fourth:*

*[...]*

*(C) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, the Clearing House CDS GF Contribution* ~~***in the order of priority set forth in the CDS Default Auction Terms***~~ ***and any Replenishment Amounts****; and*

*[...]*

*provided that:*

*[...]*

*(2) if a Defaulter was a CDS Clearing Member or a Sponsored Principal authorised to clear CDS, CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor, the Clearing House CDS GF Contribution **and any Replenishment Amounts shall be applied in accordance with the CDS Auction Priority GF Sequence and** shall only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with*

*Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B) represents a shortfall, loss or liability; and*

*[...]*

*and provided further that:*

*[...]*

*(Y)* ~~***in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Guaranty Fund Contributions and the Clearing House CDS GF Contribution are applied on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter in question or its Sponsor and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default***~~***[Intentionally omitted]****; and*

*[...]*

*(v) fifth, Assessment Contributions received by the Clearing House pursuant to Rule 909, provided that:*

*[...]*

*(2) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions of Clearing Members other than the Defaulter in question* ***and any Replenishment Amounts shall be applied in accordance with the CDS Auction Priority AC Sequence and shall*** *only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B), CDS Guaranty Fund Contributions applied in accordance with Rule 908(g)(iv)(A) and Clearing House CDS GF Contribution applied in accordance with Rule 908(g)(iv)(C) represents a shortfall, loss or liability; and*

*[...]*

*and provided further that:*

*[…]*

*(Y)* ~~***in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions are applied on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Assessment Contributions received by the Clearing House***~~***[Intentionally omitted]****; and*

(C) Rule 908(c)(iv)-(v) shall be modified as follows in relation to all Lots comprising a Secondary CDS Auction (other than Failed Lots):

*(iv) fourth:*

*(A) CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor (including, where relevant, any surplus CDS Guaranty Fund Contributions of other Defaulters, if two or more Default proceedings take place concurrently and any such surplus is available)****and the Clearing House Contributions Tranche shall be applied based on the Secondary CDS Auction Priority GF Sequence****; and*

*(B) the Clearing House CDS GF Contribution,*

~~***on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default; and***~~

*(v) fifth, CDS Assessment Contributions received by the Clearing House pursuant to Rule 909 and any Replenishment Amounts shall be applied based on the Secondary CDS Auction Priority AC Sequence."*

(D) Rule 908(g) shall be modified as follows in relation to all Lots comprising a Secondary CDS Auction (other than Failed Lots):

*"(iv) fourth:*

*[…]*

*(C) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, the Clearing House CDS GF Contribution and the* ***Clearing House CDS Contributions Tranche*** ~~***in the***~~

~~***order of priority set forth in the CDS Default Auction Terms***~~*; and*

*[…]*

*provided that:*

*[…]*

*(3) if a Defaulter was a CDS Clearing Member or a Sponsored Principal authorised to clear CDS, CDS Guaranty Fund Contributions of Clearing Members other than the Defaulter in question or its Sponsor,* ***and*** *the Clearing House CDS* ***Contributions Tranche*** ~~***GF Contribution***~~ ***shall be applied in accordance with the Secondary CDS Default Auction Priority and, together with the Clearing House CDS GF Contribution,*** *shall only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B) represents a shortfall, loss or liability; and*

*[…]*

*and provided further that:*

*[…]*

*(Y)* ~~***in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Guaranty Fund Contributions and the Clearing House CDS GF Contribution are applied on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Guaranty Fund Contributions (excluding CDS Guaranty Fund Contributions of the Defaulter in question or its Sponsor and CDS Guaranty Fund Contributions of other Defaulters that have been or are to be applied in connection with separate Default proceedings) and the Clearing House CDS GF Contribution at the time of the Event of Default***~~***[Intentionally omitted]****; and*

*[…]*

*(v) fifth, Assessment Contributions received by the Clearing House pursuant to Rule 909* ***and any Replenishment Amounts****, provided that:*

*(2) if a Defaulter was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions of Clearing Members other than the Defaulter in question* ***and any Replenishment Amounts shall be applied in accordance with the Secondary CDS Default Auction Priority AC Sequence and*** *shall only be applied towards and up to the extent of any CDS Default Amount notified to Clearing Members in accordance with Rule 908(f) and in circumstances in which the CDS Default Amount less any Clearing House CDS Initial Contribution applied in accordance with Rule 908(g)(ii)(B), CDS Guaranty Fund Contributions applied in accordance with Rule 908(g)(iv)(A) and Clearing House CDS GF Contribution applied in accordance with Rule 908(g)(iv)(C) represents a shortfall, loss or liability; and*

*[...]*

*and provided further that:*

*[...]*

*(Y)* ***~~in the case of a Defaulter who was a CDS Clearing Member or a Sponsored Principal that was authorised to clear CDS, CDS Assessment Contributions are applied on a basis pro rata (subject to Rule 908(i)) to the sum of the total of all CDS Assessment Contributions received by the Clearing House~~[Intentionally omitted]****; and*

*[...]"*

(ii) Where a Default Auction is held in respect of the F&O or FX Contract Categories, the applicable modifications to Rule 908 shall be as set out by the Clearing House by Circular.

**Rule 909** ***Powers of Assessment***

(a) Powers of assessment under this Rule 909 may be exercised by the Clearing House following an Event of Default occurring in respect of a Clearing Member if a shortfall, loss or liability to the Clearing House has arisen, or is considered by the Clearing House to be likely to arise, as a result of a shortfall, loss or liability relating to any Proprietary Account or Customer Account of a Defaulter authorised to clear Contracts of the Relevant Contract Category where such shortfall, loss or liability is not met pursuant to the application of the following rules as applicable to the Relevant Contract Category:

(i) Rule 908(b)(i) to (iv) (for the F&O Contract Category);

(ii) Rule 908(c)(i) to (iv) (for the CDS Contract Category);

(iii) Rule 908(d)(i) to (iv) (for the FX Contract Category); or

(iv) Rule 908(g)(i) to (iv), only to the extent that:

(A) For the F&O Contract Category, the F&O Default Amount, less any assets applied in accordance with Rules 908(g)(ii)(A), 908(g)(iv)(B) and 908(g)(iv) represents, or is considered by the Clearing House at its discretion likely to represent, a shortfall, loss or a liability;

(B) For the CDS Contract Category, the CDS Default Amount, less any assets applied in accordance with Rules 908(g)(ii)(B) and 908(g)(iv)(C), represents, or is considered by the Clearing House at its discretion likely to represent, a shortfall, loss or a liability; or

(C) For the FX Contract Category, the FX Default Amount, less any assets applied in accordance with Rules 908(g)(ii)(C) and 908(g)(iv)(D) represents, or is considered by the Clearing House at its discretion likely to represent, a shortfall, loss or a liability.

Immediately upon the Clearing House certifying the Assessment Amount in respect of a Relevant Contract Category in a Circular, all Clearing Members (other than Defaulters) that are Clearing Members in that Relevant Contract Category shall indemnify the Clearing House and become liable to pay Assessment Contributions for the Relevant Contract Category to the Clearing House in accordance with Rule 909(b), 909(c) or 909(e), as applicable. The exercise of any right to call Assessment Contributions under this Rule 909 is subject to any contrary requirement arising pursuant to Rule 917 or Rule 918(a)(ii).

(b) The F&O Assessment Contribution payable by each F&O Clearing Member shall be the amount:

$$FOAA \times \frac{FOGF(CM)}{FOGF(all)}$$

where:

*FOAA* is the F&O Assessment Amount certified by the Clearing House in a Circular, provided that the total F&O Assessment Amount shall be no greater than the amount equal to twice the total required F&O Guaranty Fund Contributions of all F&O Clearing Members immediately prior to the relevant Event of Default (less F&O Guaranty Fund Contributions of Defaulters);

*FOGF(CM)* is the required F&O Guaranty Fund Contribution of the relevant F&O Clearing Member immediately preceding the relevant Event of Default; and

*FOGF(all)* is the total required F&O Guaranty Fund Contributions of all F&O Clearing Members immediately preceding the relevant Event of Default (less F&O Guaranty Fund Contributions of Defaulters and excluding the Clearing House F&O Contributions).

F&O Assessment Contributions will be designated as relating primarily to Energy Contracts or Financials & Softs Contracts based on the designation of Guaranty Fund Contributions to Energy Contracts or Financials & Softs Contracts under Rule 1101(a).

(c) The CDS Assessment Contribution payable by each CDS Clearing Member shall be the amount:

$$CAA \times \frac{CGF(CM)}{CGF(all)}$$

where:

*CAA* is the CDS Assessment Amount certified by the Clearing House in a Circular, provided that the total CDS Assessment Amount shall be no greater than the amount equal to the total required CDS Guaranty Fund Contributions of all CDS Clearing Members immediately prior to the relevant Event of Default (less CDS Guaranty Fund Contributions of Defaulters);

*CGF(CM)* is the required CDS Guaranty Fund Contribution of the relevant CDS Clearing Member immediately preceding the relevant Event of Default; and

*CGF(all)* is the total required CDS Guaranty Fund Contributions of all CDS Clearing Members immediately preceding the relevant Event of Default (less CDS Guaranty Fund Contributions of Defaulters and excluding the Clearing House CDS Contributions).

(d) A Person that ceases to be a CDS Clearing Member shall be subject to obligations to pay CDS Assessment Contributions only in respect of:

(i) Events of Default declared in relation to Clearing Members that are CDS Clearing Members occurring prior to the Termination Date (whether or not declared prior to the Termination Date); and

(ii) any Events of Default declared in relation to Clearing Members that are CDS Clearing Members occurring after the Termination Date but whilst it still has a CDS Guaranty Fund Contribution with the Clearing House,

provided that the aggregate amount of all CDS Assessment Contributions in respect of all Events of Default for any such Person shall be capped at: (I) in the case of a Person terminating its membership of the Clearing House following an Event of Default or Events of Default where CDS Guaranty Fund Contributions have been applied, an amount equal to that Person's CDS Guaranty Fund Contribution immediately prior to the first Event of Default being declared which led to the relevant application of CDS Guaranty Fund Contributions; or (II) in the case of a Person otherwise terminating its membership of the

Clearing House, an amount equal to that Person's CDS Guaranty Fund Contribution on the date of service of the relevant notice of termination;

(e) The FX Assessment Contribution payable by each FX Clearing Member shall be the amount:

$$FAA \times \frac{FGF(CM)}{FGF(all)}$$

where:

*FAA* is the FX Assessment Amount certified by the Clearing House in a Circular, provided that the total FX Assessment Amount shall be no greater than the amount equal to twice the total required FX Guaranty Fund Contributions of all FX Clearing Members immediately prior to the relevant Event of Default (less FX Guaranty Fund Contributions of Defaulters);

*FGF(CM)* is the required FX Guaranty Fund Contribution of the relevant FX Clearing Member immediately preceding the relevant Event of Default; and

*FGF(all)* is the total required FX Guaranty Fund Contributions of all FX Clearing Members immediately preceding the relevant Event of Default (less FX Guaranty Fund Contributions of Defaulters).

(f) No F&O Clearing Member shall be liable for more than an amount equal to twice their required Guaranty Fund Contributions immediately preceding the relevant Event of Default in total F&O Assessment Contributions in respect of a single Event of Default. A Person that is or was an F&O Clearing Member and that has served a Termination Notice shall be subject to obligations to pay F&O Assessment Contributions only in respect of Events of Default declared in relation to Clearing Members that are F&O Clearing Members occurring prior to the Termination Date.

(g) No FX Clearing Member shall be liable for more than an amount equal to twice their required Guaranty Fund Contributions immediately preceding the relevant Event of Default in total FX Assessment Contributions, as applicable, in respect of a single Event of Default. A Person that is or was an FX Clearing Member and that has served a Termination Notice shall be subject to obligations to pay FX Assessment Contributions only in respect of Events of Default declared in relation to Clearing Members that are FX Clearing Members occurring prior to the Termination Date.

(h) If the Assessment Amount is not met by Assessment Contribution receipts from Clearing Members in the Relevant Contract Category due to non-payment by a Clearing Member or Clearing Members in the Relevant Contract Category, Default of a Clearing Member or Clearing Members in the Relevant Contract Category or otherwise, the Clearing House shall at its discretion determine what, if any, further action to take. Unless, or unless to the extent that, the Clearing House directs otherwise in a Circular, any shortfall in Assessment Contribution receipts shall be re-assessed against all Clearing Members in the Relevant Contract Category (other than Defaulters and Persons that have defaulted in making an

Assessment Contribution) in accordance with Rule 909(a), as if such shortfall were the Assessment Amount, provided that: (i) no F&O Clearing Member shall be liable to pay F&O Assessment Contributions in respect of a single Default for an amount greater than twice its F&O Guaranty Fund Contribution immediately prior to the relevant Default; (ii) and no CDS Clearing Member shall be liable to pay CDS Assessment Contributions in respect of a single Default for an amount greater than its CDS Guaranty Fund Contribution immediately prior to the relevant Default; and (iii) no FX Clearing Member shall be liable to pay FX Assessment Contributions in respect of a single Default for an amount greater than twice its FX Guaranty Fund Contribution immediately prior to the relevant Default. Subject to Rule 909(c), (d), (f) and (g), as applicable, further Assessment Contributions may be levied and repeated in this manner at the discretion of the Clearing House until the entire Assessment Amount has been met in full by Assessment Contributions.

(i) All Assessment Contributions shall become due and payable at such time as the Clearing House notifies to Clearing Members (which may be by Circular) and may be collected by the Clearing House pursuant to Part 3.

(j) If, after any Assessment Contribution has been paid in relation to an Event of Default, the Clearing House collects amounts in respect of a defaulted obligation, loss, shortfall or unpaid Assessment Contribution relating to the Relevant Contract Category in whole or in part from the Defaulter in question, an insurer or a Person liable to pay an unpaid Assessment Contribution for the Relevant Contract Category, the Clearing House shall refund the amount so collected (less any expenses of the Clearing House, including without limitation any legal fees and expenses incurred in connection therewith) to other Clearing Members in the Relevant Contract Category (excluding any Defaulter) *pro-rata* (subject to Rule 908(i)) in respect of paid Assessment Contributions relating to the Relevant Contract Category and the Event of Default in question, subject to the Clearing House: (i) first retaining or repaying amounts up to the amount of any assets of the Clearing House or other third parties applied to meet any shortfall, loss or liability following exhaustion of the assets specified in Rule 908 or in substitution of any such assets; and (ii) if applicable, meeting any repayment obligations arising pursuant to 909(j), 914(j) or 916(n).

(k) Amounts transferred to the Clearing House by Clearing Members in respect of Guaranty Fund Contributions, including without limitation amounts transferred to restore a deficiency in any Guaranty Fund following an Event of Default, do not constitute Assessment Contributions. Neither the exercise of powers of assessment by the Clearing House nor the payment of Assessment Contributions shall reduce or otherwise affect the liability of a Clearing Member to make Guaranty Fund Contributions pursuant to Rule 1101 *et seq.* or to replenish any Guaranty Fund Contribution pursuant to Rule 1102(i). Assessment Contributions do not constitute Guaranty Fund Contributions.

(l) Where the Clearing House calls Assessment Contributions in excess of that required or actually applied against a loss, shortfall or liability, it shall treat any such excess provided by a particular Clearing Member as special Surplus Collateral on the relevant Proprietary Account of such Clearing Member. Such special Surplus Collateral shall be available to be applied at any time as an Assessment Contribution for the Relevant Contract Category, but unavailable for withdrawal under Part 3 or the Finance Procedures, until such time as

any such amount of Assessment Contributions are determined by the Clearing House not to be required, at which point the Surplus Collateral shall become available for withdrawal in the same way as other Surplus Collateral.

**Rule 910** ***[Not used]***

**Rule 911** ***[Not used]***

**Rule 912** ***Default procedure for certain termination events***

(a) In the event of any termination pursuant to Rule 209(c)(ii)-(iii), the rights and liabilities of each Clearing Member and Sponsored Principal under all Contracts will be deemed to be terminated without need for any further step on the part of any party and discharged for the purposes of Rule 906 and a net sum or net sums payable by or to the Clearing Member or Sponsored Principal to or from the Clearing House shall be determined as if each Clearing Member or Sponsored Principal were a Defaulter, in accordance with Rule 906 *mutatis mutandis* and without need for the prior occurrence or declaration of an Event of Default in relation to such Clearing Member or Sponsored Principal.

(b) In circumstances in which this Rule 912 applies:

(i) Rule 909 shall only apply where necessary to meet a shortfall resulting from an Event of Default or Events of Default actually declared by the Clearing House pursuant to Rule 901 (rather than any Event of Default effectively deemed to occur pursuant to this Rule 912);

(ii) Rules 901, 902, 903, 904 and Rule 905 shall apply only to Clearing Members or Sponsored Principals that are actually declared subject to an Event of Default (rather than effectively deemed subject to an Event of Default pursuant to this Rule 912);

(iii) in the case of this Rule 912 applying solely due to a Failure to Pay which does not affect all Contract Categories, the net sum or net sums required to be determined in these circumstances pursuant to Rule 906 in respect of a Clearing Member or Sponsored Principal that has multiple Membership Categories will be made separately in relation to the rights and liabilities of that Clearing Member 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 Account(s) of such Contributor, in each case in respect of the Loss Distribution Period in which such Loss Distribution Day falls.

(ii) The term "**Aggregate Cash Gains**" or "**ACG**" means, in respect of any Business Day, the sum of the Cash Gain in respect of all Cash Gainers on such Business Day.

(iii) The term "**Available Defaulter Resources**" means, following a particular Event of Default, all the quantifiable and certain resources on any particular date to the extent that the same: (A) are available to the Clearing House to meet losses and liabilities resulting from the Event of Default; (B) were posted as collateral in respect of an Account referred to in Rule 914(a)(ii)(B) or are otherwise available to be applied by the Clearing House in accordance with the Rules against losses or liabilities resulting from the Event of Default on such an Account; and (C) represent

the cash proceeds or equivalent cash value (as calculated by the Clearing House) of Permitted Cover provided to the Clearing House by the Defaulter or other amounts, credits or assets that would otherwise be due to the Defaulter in the calculation of a net sum under Rule 906 and which have been evaluated as cash obligations (as calculated by the Clearing House). Available Defaulter Resources exclude for the avoidance of doubt all Available Non-Defaulter Resources, the Clearing House's own assets and capital, Clearing House Contributions and any assets or rights representing the proceeds of Permitted Cover, Margin, cover for Margin or Guaranty Fund Contributions provided by Clearing Members, Sponsors or Sponsored Principals that are not Defaulters. The principles in Rule 908 used for the calculation of relevant Default Amounts shall be applied in considering whether any particular amount relates to any particular Contract Category for purposes of determining the Available Defaulter Resources.

(iv) The term "**Available Non-Defaulter Resources**" means, following a particular Event of Default, the cash proceeds or equivalent cash value (as calculated by the Clearing House) of those Guaranty Fund Contributions, Clearing House Contributions, Assessment Contributions and any claims under any default insurance policies which are available to be applied pursuant to Rule 908, provided that Assessment Contributions and any claims under any default insurance policies shall only count as Available Non-Defaulter Resources if they have been received by the Clearing House in cleared funds at the time the Clearing House performs a calculation of Available Non-Defaulter Resources. The principles in Rule 908 shall be applied in considering whether any particular amount relates to any particular Contract Category for purposes of determining the Available Non-Defaulter Resources.

(v) The term "**Available Product Funds**" means the amount of resources available to the Clearing House in respect of a Relevant Contract Category, as calculated in accordance with Rule 916(f).

(vi) The term "**Available Resources**" or "**AR**" means the Available Defaulter Resources plus the Available Non-Defaulter Resources.

(vii) The term "**Cash Gain**" means, in respect of any Cash Gainer and any Loss Distribution Day, the amount of Cumulative Unadjusted Gains, Losses and Realised Cash Flows in respect of such Cash Gainer in respect of such Loss Distribution Day, if positive.

(viii) The term "**Cash Gainer**" means, in respect of each Contributor and any Loss Distribution Date, each Margin Account in respect of which the Cumulative Unadjusted Gains, Losses and Realised Cash Flows in respect of such Loss Distribution Day is greater than zero.

(ix) The term "**Cash Gainer Adjustment**" has the meaning set out in Rule 914(c).

(x) The term "**Cash Loser**" means, in respect of each Contributor and any Loss Distribution Date, each Margin Account in respect of which the Cumulative Unadjusted Gains, Losses and Realised Cash Flows in respect of such Loss Distribution Day is equal to or less than zero.

(xi) The term "**Cash Loser Adjustment**" has the meaning set out in Rule 914(d).

(xii) The term "**Clearing House Event**" means a Failure To Pay or Insolvency occurring in respect of the Clearing House.

(xiii) The term "**Contract Category**" means any of the three categories of Contract cleared by the Clearing House, namely F&O Contracts, CDS Contracts and FX Contracts.

(xiv) The term "**Contractual Payments**" means, in respect of each Margin Account and any Business Day, any of the following connected to such Margin Account on such Business Day: for CDS Contracts: any Fixed Amounts, Initial Payment, Physical Settlement Amount, Auction Settlement Amount or any Cash Settlement Amount; and for F&O Contracts any Exchange Delivery Settlement Price, Option premium, other settlement amount, Strike Price, settlement price or delivery price, exercise price or any other payment pursuant to the terms of a Contract. Where physical delivery or physical settlement of any Deliverable is due to be made by way of final settlement under a Contract of a Relevant Contract Category from the Clearing House to any Clearing Member or Sponsored Principal, and the Clearing House (including any non-defaulting Clearing Member or Sponsored Principal or its Transferee acting as agent for the Clearing House) has not received delivery of an equivalent Deliverable from the Defaulter, the Clearing House may attribute a reasonable value to its delivery obligations and treat such amount as a Contractual Payment for purposes of this definition.

(xv) The term "**Contributor**" means a Clearing Member or Sponsored Principal that is not a Defaulter in respect of a Contract Category for which Rule 914 applies.

(xvi) The term "**Cooling-off Period**" means the period commencing on and including the date of the Cooling-off Period Trigger Event and terminating 30 calendar days thereafter. A Cooling-off Period shall be automatically extended if a subsequent Cooling-off Period Trigger Event occurs 30 or fewer calendar days after the previous Cooling-off Period Trigger Event, in which case the Cooling-off Period will be extended until the date falling 30 calendar days after the second such Cooling-off Period Trigger Event.

(xvii) The term "**Cooling-off Period Trigger Event**" in respect of a particular Contract Category, means: (i) any call for Assessment Contributions being made; (ii) the occurrence of a Sequential Guaranty Fund Depletion.

(xviii) The term "**Cooling-off Termination Period**" means the period commencing on the date of each Cooling-off Period Trigger Event and terminating 10 calendar days thereafter. A Cooling-off Termination Period shall be automatically extended if a

subsequent Cooling-off Period Trigger Event occurs 10 or fewer calendar days since the previous Cooling-off Period Trigger Event, until the date falling 10 calendar days after the second such Cooling-off Period Trigger Event.

(xix) The term "**Cumulative Actual Gains, Losses and Realised Cash Flows**" means, in respect of each Margin Account of each Contributor and any Business Day, the aggregate amount, if any, actually paid by the Clearing House to such Contributor (expressed as a positive number) or by such Contributor to the Clearing House (expressed as a negative number) (including, in respect of an Individually Segregated Sponsored Account, amounts paid by or to a Sponsor) in respect of such Margin Account by way of Contractual Payments and MTM/VM, taking into account each Margin Account Adjustment from but excluding the relevant Last Call Prior To Default to and including such Business Day such that, to the extent that any payment of MTM/VM or Contractual Payment is netted or offset against any Margin Account Adjustment on any Loss Distribution Day, the amount actually paid for the purposes of this definition shall be used in calculating such aggregated amount.

(xx) The term "**Cumulative Transfer Cost**" means, on any Business Day during any Loss Distribution Period, the sum of any Transfer Cost for each Business Day from but excluding the relevant Last Call Prior To Default to and including such Business Day.

(xxi) The term "**Cumulative Unadjusted Gains, Losses and Realised Cash Flows**" means, in respect of each Margin Account of each Contributor and any Business Day, the sum of the Pre-Haircut Gains, Losses and Realised Cash Flows for such Margin Account for each Business Day from but excluding the relevant Last Call Prior To Default to and including such Business Day.

(xxii) [Not used]

(xxiii) [Not used]

(xxiv) The term "**Distribution Haircut**" or "**DH**" means, on each Loss Distribution Day, the fraction determined by the Clearing House in accordance with the following formula:

$$DH_{(t)} = UL_{(t)} / ACG_{(t)}$$

where:

*UL* means the Uncovered Loss; and

*ACG* means the Aggregate Cash Gains,

(xxv) The term "**Estimated Payable Net Sum**" means, following a particular Event of Default, an estimate by the Clearing House of the total of those net sums calculated using the methodology set out in Rule 906 which represent an amount payable by

a Defaulter in respect of a particular Account, based on the cash or estimated value of items considered by the Clearing House to be sufficiently certain to be estimated as at the date of the estimation (including, in respect of Contracts, latest available MTM/VM Prices), without any netting or offsetting in respect of any other Estimated Payable Net Sum or actual net sum payable to a Defaulter in respect of a different Account of a Defaulter.

(xxvi) The term "**Last Call Prior To Default**" means the most recent Business Day on which payments of MTM/VM required to be made by Clearing Members and Sponsored Principals were paid in full.

(xxvii) The term "**Loss Distribution Day**" means a Business Day in the Loss Distribution Period.

(xxviii) The term "**Loss Distribution Period**" means, in relation to a Relevant Contract Category, the period commencing from and including the date specified by the Clearing House in a Circular following an RGD Determination and ending on a date specified by the Clearing House in the same or any subsequent Circular, as the same may be extended under Rule 914. A Loss Distribution Period shall end with immediate effect and without the need for any action on the part of any Clearing Member, Sponsor, Sponsored Principal or the Clearing House upon any Clearing House Event.

(xxix) The term "**Margin Account**" means each Proprietary Margin Account and Customer Margin Account of a Contributor (including any Individually Segregated Sponsored Account), related to the Proprietary Position Account or Customer Position Account in which Contracts of a Relevant Contract Category are recorded.

(xxx) The term "**Margin Account Adjustment**" means, in respect of each Margin Account and any Business Day, any Cash Gainer Adjustment or Cash Loser Adjustment as the case may be payable in connection with such Margin Account on such Business Day.

(xxxi) The term "**MTM/VM**" stands for mark-to-market/variation margin and means: (i) in relation to F&O Contracts, Variation Margin; (ii) in relation to CDS Contracts, Mark-to-Market Margin; and (iii) in relation to FX Contracts, FX Mark-to-Market Margin. References to the payment of MTM/VM shall be construed as including obligations to transfer cash or other Permitted Cover as a result of changes to MTM/VM Prices (as the difference between MTM/VM Prices on different Business Days) following a recalculation of MTM/VM Price and not to the total amount of MTM/VM held by any Clearing Member or Sponsored Principal or the Clearing House at any time.

(xxxii) The term "**MTM/VM Price**" means: (i) in relation to F&O Contracts, Exchange Delivery Settlement Price; (ii) in relation to CDS Contracts, Mark-to-Market Price; and (iii) in relation to FX Contracts, FX Mark-to-Market Price.

(xxxiii) The term "**Negative Product Repayment Amounts**" means the negative single net sum determined in respect of a Clearing Member's or Sponsored Principal's Margin Account in respect of a Relevant Contract Category that is subject to a termination in accordance with Rule 916(e).

(xxxiv) The term "**Original/Initial Margin**" means: (i) in relation to F&O Contracts, Original Margin (including buyer's security and seller's security); (ii) in relation to CDS Contracts, Initial Margin; and (iii) in relation to FX Contracts, FX Original Margin and, in any case (i), (ii) or (iii) includes Margin under Rule 502(g).

(xxxv) The term "**Outward MTM/VM Payments**", on any Business Day, means amounts in respect of MTM/VM that the Clearing House has calculated which would, but for Rule 914, be paid in full by the Clearing House to Contributors (whether relating to any Proprietary Account or any Customer Account) in respect of a particular Relevant Contract Category following the determination of MTM/VM Prices for Contracts of that Contract Category.

(xxxvi) The term "**Positive Product Repayment Amounts**" means the positive single net sum determined in respect of a Clearing Member's or Sponsored Principal's Margin Account in respect of a Relevant Contract Category that is subject to a termination accordance with Rule 916(e).

(xxxvii) The term "**Pre-Haircut Gains, Losses and Realised Cash Flows**" means, in respect of each Margin Account of each Contributor and any Business Day, the amount which would be paid by the Clearing House to such Contributor (expressed as a positive number) or by such Contributor to the Clearing House (expressed as a negative number) by way of Contractual Payments or MTM/VM in respect of such Margin Account on such Business Day in the absence of the application of the Distribution Haircut. For the avoidance of doubt, the Pre-Haircut Gains, Losses and Realised Cash Flows are calculated taking into account MTM/VM that is paid by the Clearing House to the Contributor (or would have been payable to the Contributor but for Rule 914) and Mark-to-Market Margin payable and paid by the Contributor to the Clearing House (without taking into account any reductions to such payments made pursuant to this Rule 914).

(xxxviii) The term "**Product Termination Amount**" means the Negative CDS Repayment Amounts and the Positive CDS Repayment Amounts in respect of Contracts of a Set subject to termination under Rule 916.

(xxxix) The term "**Received MTM/VM**", on a particular Business Day following an Event of Default, means the amount (expressed as a positive number) that the Clearing House has actually received in cleared funds from Clearing Members and Sponsored Principals who were party to Contracts in a Relevant Contract Category in respect of MTM/VM for such day.

(xl) The term "**Relevant Assessment Contributions**" means those Assessment Contributions (being F&O Assessment Contributions, CDS Assessment

Contributions or FX Assessment Contributions) which may be applied to losses relating to a Relevant Contract Category.

(xli) [Not used]

(xlii) The term "**Relevant Guaranty Fund**" means a Guaranty Fund (being the F&O Guaranty Fund, the CDS Guaranty Fund or the FX Guaranty Fund) in respect of which Guaranty Fund Contributions may be applied to losses relating to a Relevant Contract Category.

(xliii) The term "**Relevant Guaranty Fund Contributions**" means those Guaranty Fund Contributions (being F&O Guaranty Fund Contributions, CDS Guaranty Fund Contributions or FX Guaranty Fund Contributions) which may be applied to losses relating to a Relevant Contract Category.

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

(xlv) The term "**Relevant Post Default Period**" means the period starting at the time of declaration of an Event of Default of a Clearing Member or Sponsored Principal which is party to Contracts of a particular Contract Category and ending at the time of declaration of net sums in respect of any Proprietary Account and each Customer Account of the Defaulter.

(xlvi) The term "**RGD Determination**" has the meaning set out in Rule 914(a).

(xlvii) The term "**Sequential CDS Guaranty Fund Depletion**" in respect of a particular CDS Clearing Member that is not a Defaulter, means circumstances in which: (i) there have been two or more Events of Default relating to different CDS Clearing Members (or Sponsored Principals which clear CDS) within a period of 30 or fewer calendar days; (ii) CDS Guaranty Fund Contributions have been applied in respect of at least two such Events of Default; and (iii) the total amount that the CDS Clearing Member has as a result paid to the Clearing House to replenish its CDS Guaranty Fund Contributions exceeds the total amount of CDS Guaranty Fund Contributions standing to the credit of that CDS Clearing Member in the Clearing House's accounts prior to the first Event of Default.

(xlviii) The term "**Sequential F&O Guaranty Fund Depletion**" in respect of a particular F&O Clearing Member that is not a Defaulter, means circumstances in which: (i) there have been two or more Events of Default relating to different F&O Clearing Members (or Sponsored Principals which clear F&O) within a period of 30 or fewer calendar days; (ii) F&O Guaranty Fund Contributions have been applied in respect of at least two such Events of Default; and (iii) the total amount that the F&O Clearing Member has as a result paid to the Clearing House to replenish its F&O Guaranty Fund Contributions exceeds the total amount of F&O Guaranty Fund

Contributions standing to the credit of that F&O Clearing Member in the Clearing House's accounts prior to the first Event of Default.

(xlix) The term "**Sequential FX Guaranty Fund Depletion**" in respect of a particular FX Clearing Member that is not a Defaulter, means circumstances in which: (i) there have been two or more Events of Default relating to different FX Clearing Members (or Sponsored Principals which clear FX) within a period of 30 or fewer calendar days; (ii) FX Guaranty Fund Contributions have been applied in respect of at least two such Events of Default; and (iii) the total amount that the FX Clearing Member has as a result paid to the Clearing House to replenish its FX Guaranty Fund Contributions exceeds the total amount of FX Guaranty Fund Contributions standing to the credit of that FX Clearing Member in the Clearing House's accounts prior to the first Event of Default.

(l) The term "**Sequential Guaranty Fund Depletion**" means a Sequential CDS Guaranty Fund Depletion, a Sequential F&O Guaranty Fund Depletion, or a Sequential FX Guaranty Fund Depletion.

(li) The term "**t**" means, in respect of any determination made in relation to a Business Day, such Business Day.

(lii) The term "**t-1**" means, in respect of any determination made in relation to a Business Day, the Business Day immediately prior to such Business Day.

(liii) The term "**Termination**" in respect of a Contract means termination, close-out, exercise, abandonment, or expiry pursuant to its terms and under the Rules.

(liv) The term "**Termination Circular**" has the meaning set out in Rule 916(a).

(lv) The term "**Termination Price**" in respect of a Contract means the price determined by the Clearing House, which shall be applicable upon the termination, close-out, exercise, abandonment, or expiry of the Contract upon any termination pursuant to Rule 916.

(lvi) The term "**Total Cumulative Pre-Haircut Amount**" means, in respect of any Business Day, the sum of the Total Pre-Haircut Amount for each Business Day from but excluding the relevant Last Call Prior To Default to and including such Business Day.

(lvii) The term "**Total Pre-Haircut Amount**" or "**TPHA**" means, in respect of any Business Day, the sum of the Pre-Haircut Gains, Losses and Realised Cash Flows in respect of all Margin Accounts of all Contributors on such Business Day.

(lviii) The term "**Transfer Cost**", on any Business Day, means the total amount payable by the Clearing House to Clearing Members or Sponsored Principals that are not Defaulters as consideration for the entry into of replacement Contracts in a Relevant Contract Category to those to which a Defaulter was party (or otherwise

Transferred Contracts), whether as a result of an auction, sale or otherwise pursuant to Part 9 plus any associated costs or expenses of the Clearing House.

(lix) The term "**Uncovered Loss**" or "**UL**" means in respect of the Clearing House on any Loss Distribution Day:

(A) where Rule 914(a)(ii)(A) applies, an amount calculated in accordance with the following formula:

$$Uncovered\ Loss_{(t)} = TPHA_{(t)} + CTC_{(t)} - AR$$

where:

*TPHA* means the Total Pre-Haircut Amount;

*CTC* means the Cumulative Transfer Cost;

*AR* means the Available Resources; and

the Uncovered Loss as at the Last Call prior to Default shall be zero,

provided that if the Uncovered Loss would be greater than zero, it shall be deemed to be equal to be zero.

(B) where Rule 914(a)(ii)(B)(1) applies, the Estimated Payable Net Sum minus Available Non-Defaulter Resources; or

(C) where Rule 914(a)(ii)(B)(2) applies, the total of relevant net sums payable by but not received from the Defaulter minus Available Non-Defaulter Resources;

provided that, where there is more than one Event of Default with overlapping Relevant Post Default Periods, the Uncovered Loss may be calculated with regard to Cumulative Transfer Cost and Available Resources for all relevant Defaulters and Events of Default at that time.

**Rule 914** ***Reduced Gains Distribution***

(a) This Rule 914 shall only apply if the Clearing House has published its determination (any such determination, an "**RGD Determination**") that the following four (or, for the CDS Contract Category, five) conditions are all satisfied:

(i) an Event of Default has been declared and the Clearing House has not yet declared (and either paid or submitted a claim in respect of) all net sums due to or from the Defaulter in respect of all of its different Proprietary Accounts and all of its different Customer Accounts, including, for Sponsored Principals, Individually Segregated Sponsored Accounts;

(ii) the Clearing House determines (whether in reliance on Rule 907(d) or otherwise) that one or more of the following circumstances has arisen:

(A) the sum of Outward MTM/VM Payments (and, for the FX and F&O Contract Categories only, Transfer Cost, if any) in respect of a particular Contract Category would, in its view, exceed Available Resources plus Received MTM/VM for the same Contract Category;

(B) Available Resources are insufficient to meet the shortfalls, losses or liabilities of the Clearing House on relevant Accounts of the Defaulter, which may be determined if, in its view:

(1) any Estimated Payable Net Sum would exceed the Available Non-Defaulter Resources which, pursuant to Rule 908, would be available to meet the losses of the Clearing House represented by any net sum payable by the Defaulter were such net sum to be of an amount equal to the Estimated Payable Net Sum; or

(2) any net sums payable by the Defaulter that are calculated and declared by the Clearing House under Rule 906 (to the extent that the same have not been received by the Clearing House in cleared funds from the Defaulter) in total would exceed the Available Non-Defaulter Resources which, pursuant to Rule 908, are to be applied to meet the losses of the Clearing House represented by such net sums;

provided that, where there is more than one Event of Default with overlapping Relevant Post Default Periods, such determinations may be made with regard to the Transfer Costs, for the FX and F&O Contract Categories only, Available Resources, Estimated Payable Net Sums and net sums relating to all relevant Defaulters and Events of Default at that time;

(iii) no Termination Circular has been issued in respect of the Relevant Contract Category;

(iv) there has been no Clearing House Event; and

(v) if the Relevant Contract Category is CDS, the additional conditions set out in Rule 914(n) have been satisfied.

The Clearing House may make such currency conversions at its discretion and as it sees fit for purposes of making any of such determinations listed in paragraphs (A) or (B), based on the rates of exchange that would be applicable in respect of amounts due to or from a Defaulter.

(b) If there is an RGD Determination, the Clearing House shall issue a Circular to that effect specifying:

(i) the Relevant Contract Category or Relevant Contract Categories that is or are affected (or, if Rule 914(f) applies, the affected Contract Set or Sets);

(ii) the date of commencement of any Loss Distribution Period; and

(iii) such other matters as the Clearing House considers are relevant, which may (but are not required to) include a date on which the Loss Distribution Period is expected to end.

If any expected end date for the Loss Distribution Period is specified in the Circular, the Loss Distribution Period may nonetheless be extended by the publication of a further Circular and any expiry of a Loss Distribution Period arising as a result of a particular Event of Default shall not preclude there being any additional Loss Distribution Period at a later stage arising as a result of the same Event of Default. At the close of business on each Business Day following a Loss Distribution Day the Clearing House shall determine in accordance with Rule 914(a) whether any of the situations under which an RGD Determination could be made persists.

***Reduced Gains Distribution for F&O and FX Contract Categories***

(c) *Adjustment of MTM/VM payments for Cash Gainers.* On each Loss Distribution Day for each Margin Account of each Contributor that is deemed to be a Cash Gainer, the relevant Contributor shall be required to pay the Clearing House an amount equal to any positive amount determined in accordance with the following formula separately for each of its Accounts holding F&O Contracts or FX Contracts or, as applicable, the Clearing House shall be required to pay the relevant Contributor the absolute value of any negative amount determined in accordance with the following formula (in each case, such amount the "**Cash Gainer Adjustment**"):

$$Cash\ Gainer\ Adjustment_{(t)} = PHG_{(t)} - ((CUG_{(t)} \times (1 - DH_{(t)})) - CAG_{(t-1)})$$

where:

*PHG* means the Pre-Haircut Gains, Losses and Realised Cash Flows;

*CUG* means the Cumulative Unadjusted Gains, Losses and Realised Cash Flows;

*DH* means the Distribution Haircut, expressed as a decimal provided that it shall be no greater than 1; and

*CAG* means the Cumulative Actual Gains, Losses and Realised Cash Flows and where *CAG* as at the Last Call prior to Default shall be zero.

Any Transfer Cost due to any Contributor that has won a Default Auction shall be paid in full and not be subject to any Cash Gainer Adjustment nor included in amounts *PHG*, *CUG* or *CAG*.

(d) *Adjustment of MTM/VM Payments for Cash Losers.* On each Loss Distribution Day for each Margin Account of each Contributor that is deemed to be a Cash Loser, the Clearing House shall be required to pay the absolute value of an amount (the "**Cash Loser Adjustment**") determined in accordance with the following formula separately for each of its Accounts holding F&O Contracts or FX Contracts:

$$Cash\ Loser\ Adjustment_{(t)} = PHG_{(t)} - (CHG_{(t)} - CAG_{(t-1)})$$

where:

*PHG* means the Pre-Haircut Gains, Losses and Realised Cash Flows;

*CHG* means the Cumulative Unadjusted Gains, Losses and Realised Cash Flows; and

*CAG* means the Cumulative Actual Gains, Losses and Realised Cash Flows and where *CAG* as at the Last Call prior to Default shall be zero.

Nothing in this Rule 914 shall reduce or offset the obligation of a Cash Loser to pay any MTM/VM or Contractual Payments owed by it in respect of a Loss Distribution Day.

(e) On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Margin Account Adjustment as an offset against any payments from or receivable by the relevant Contributor or aggregate it with any required payment to the Clearing House, in accordance with Part 3 or the Finance Procedures. MTM/VM obligations and related adjustments pursuant to this Rule 914 of Contributors that are not Defaulters shall then be paid and collected following such netting with other payment obligations as are provided for in Part 3 and the Finance Procedures.

(f) Where obligations relating to physical delivery in respect of any F&O Contract or FX Contract are to be performed following expiry or the end of trading in the relevant Set, on any Business Day during a Loss Distribution Period, the Clearing House may make such adjustments as are necessary to the calculation of Cash Gainer Adjustment or Cash Loser Adjustment to reflect the payment flows arising from such delivery, based on the principle that the calculation of Cash Gainer Adjustment and Cash Loser Adjustment is designed to capture all profits and/or losses on Open Contract Positions during the relevant Loss Distribution Period.

(g) Notwithstanding the effects of this Rule 914 during a Loss Distribution Period:

(i) Clearing Members and Sponsored Principals shall remain liable to pay, and shall continue to make timely payment of, all amounts falling due to, and shall remain liable to deliver, and shall continue to make timely delivery of, all property falling due for delivery to, the Clearing House in accordance with the Rules and Procedures, including obligations to pay Original/Initial Margin, Guaranty Fund Contributions and Assessment Contributions (in the latter case, subject always to the relevant caps set out in Rule 909);

(ii) the Clearing House will remain liable to pay or release Margin and Permitted Cover to Clearing Members and Sponsored Principals in the usual way, subject to netting to take account of any Cash Loser /Gainer Adjustment; and

(iii) the Clearing House's obligation to pay or release Original/Initial Margin shall not be subject to reduction under this Rule 914 as a result of any Distribution Haircut;

All such payments shall be made without regard to whether any payment which would have fallen due (were it not for the RGD Determination) has been made and without any offsetting or withholding of amounts under any other right of or to netting, set-off, lien, recouping, property, combination of accounts or other basis.

(h) Any rebate, incentive scheme or fee discount arrangements that would otherwise result in amounts being payable by the Clearing House (whether for itself or on behalf of any Market) in respect of Contracts affected by the arrangements during the Loss Distribution Period shall not be applicable during any Loss Distribution Period. Action by the Clearing House under this Rule 914 shall not constitute any kind of Clearing House Event.

(i) Where the Clearing House determines that none of the situations under which an RGD Determination could be made persists or is likely to persist that Business Day shall not be a Loss Distribution Day and the Loss Distribution Period shall have terminated as of the last Loss Distribution Day. In this circumstance or where the Clearing House otherwise wishes to end any Loss Distribution Period, it shall issue a Circular specifying the final date of the Loss Distribution Period. After the end of the Loss Distribution Period, the adjustments, modifications and limited recourse provisions specified in this Rule 914 shall no longer apply and the Clearing House shall resume calculating, collecting and paying MTM/VM payments in the ordinary course, without adjustment to take into account any Cash Gainer/Loser adjustments during the Loss Distribution Period except as provided in Rule 914(j). The end of the Loss Distribution Period shall not preclude the Clearing House from making a further RGD Determination in respect of the same Event of Default to the extent that any open Contracts of the Defaulter have not been closed out, sold or liquidated and the other conditions of the RGD Determination are satisfied.

(j) Notwithstanding Rule 1102(k), this Rule 914(j) shall apply where the Clearing House (1) receives amounts from a Defaulter (as a result of its being a creditor of the Defaulter in the Defaulter's Insolvency or otherwise) or another Clearing Member or Sponsored Principal or any insurer that would, had it been paid on time, have increased the Clearing House's Available Resources or Received MTM/VM on a Business Day on which any Margin Account Adjustment was made pursuant to this Rule 914 during a Loss Distribution Period; (2) recalculates any Estimated Payable Net Sum in circumstances in which the previously Estimated Payable Net Sum was higher; or (3) declares an actual net sum under Rule 906 in circumstances in which an Estimated Payable Net Sum had previously been used as a basis for invoking its rights under this Rule 914 where the actual net sum is greater than the last Estimated Payable Net Sum. Where this Rule 914(j) applies, the Clearing House shall distribute such amounts as it has received or estimates are now available (as applicable) (after deducting any administration and other costs of the Clearing House, including, without limitation, the costs of recovering or recalculating any such amounts):

(i) first to Contributors who are not then Defaulters (irrespective of whether they remain Clearing Members or Sponsored Principals at the time of the recovery) who became liable to pay Cash Gainer Adjustments during the Loss Distribution Period for the Contract Category to which the receipts relate, with the payments determined on a *pro rata* basis based on each Contributor's Adjustment Amount in respect of the Relevant Contract Category;

(ii) secondly, in accordance with Rule 1102(k).

(k) Payments of Cash Gainer Adjustments and Cash Loser Adjustments may be made pursuant to Part 3 of the Rules and the Finance Procedures. Except as expressly provided in this Rule 914, this Rule 914 is without prejudice to the Clearing House's rights to set off or net any sum owed by a Clearing Member, Sponsor or Sponsored Principal to the Clearing House against any sum payable by the Clearing House to a Clearing Member, Sponsor or Sponsored Principal or to any other powers of the Clearing House under Parts 3, 9 or 11 or the Procedures.

(l) In carrying out any calculations or making any determinations pursuant to this Rule 914, the Clearing House may convert any amounts denominated in one currency into another currency chosen by the Clearing House in its discretion and at a rate of exchange chosen by the Clearing House in its discretion, provided the Clearing House shall act in a commercially reasonable manner when choosing a currency or a rate of exchange for the aforesaid purposes.

(m) The Clearing House shall apply all Received MTM/VM and Available Resources solely to meet Outward MTM/VM Payments and Transfer Costs as envisaged under Parts 9 and 11 of the Rules and the Default Auction Procedures, to make reimbursement to Clearing Members and Sponsored Principals under Rule 914(j) and to fund its obligations to meet any shortfall, loss or liability incurred by it under Contracts or these Rules as permitted under the Rules.

***Reduced Gains Distribution for the CDS Contract Category***

(n) Rule 914(n) to (t) shall only apply to the CDS Contract Category where the Clearing House has published an RGD Determination (whether in reliance on Rule 907(d) or otherwise) that the conditions in Rule 914(a) and also the additional conditions in this Rule 914(n) are satisfied:

(i) there has been an Under-Priced Auction in respect of the CDS Contract Category;

(ii) the Clearing House has exhausted all Available Resources in respect of the relevant Default, with the exception of Assessment Contributions; and

(iii) the Clearing House has given advice that CDS Assessment Contributions to the value of the maximum CDS Assessment Amount are due to be paid by all non-defaulting CDS Clearing Members and such CDS Assessment Contributions are due and payable.

(o) Notwithstanding anything to the contrary herein, for the CDS Contract Category, the Loss Distribution Period for any Default (or series of Defaults subject to a Cooling-off Period) should not extend more than five consecutive Business Days. If the Clearing House conducts a successful Secondary CDS Auction on any day within the Loss Distribution Period, that day, or if the Clearing House so determines, the preceding Business Day shall be the final Loss Distribution Day. If the Clearing House has not conducted a successful Secondary CDS Auction on the fifth consecutive Loss Distribution Day, the Clearing House will conduct a Partial Tear-Up as of the close of business on such day in accordance with Rule 915.

(p) *Adjustment of MTM/VM payments for Cash Gainers.* On each Loss Distribution Day for each Margin Account of each Contributor that is deemed to be a Cash Gainer, the relevant Contributor shall be required to pay the Clearing House an amount equal to any positive amount determined in accordance with the following formula separately for each of its Accounts determined in accordance with the following formula (in each case, such amount the "**Cash Gainer Adjustment**"):

$$\textit{Cash Gainer Adjustment}_{(t)}\ [= PHG_{(t)} \times DH_{(t)}]$$

where:

*PHG* means the Pre-Haircut Gains, Losses and Realised Cash Flows;

*DH* means the Distribution Haircut, expressed as a decimal provided that it shall be no greater than 1; and

(q) On each Loss Distribution Day, the Clearing House shall apply the payment or receipt of any Cash Gainer Adjustment as an offset against any payments receivable by the relevant Contributor or aggregate it with any required payment to the Clearing House, in accordance with Part 3 or the Finance Procedures. MTM/VM obligations and related adjustments pursuant to this Rule 914 of Contributors shall then be paid and collected following such netting with other payment obligations as are provided for in Part 3 and the Finance Procedures.

(r) Where Physical Settlement is applicable to any CDS Contract, on any Business Day during a Loss Distribution Period, the Clearing House may make such adjustments as are necessary to the calculation of Cash Gainer Adjustment to reflect the payment flows arising from such Physical Settlement, based on the principle that the calculation of Cash Gainer Adjustment is designed to capture all profits and/or losses on Open Contract Positions during the relevant Loss Distribution Period.

(s) Notwithstanding the effects of this Rule 914 during a Loss Distribution Period:

(i) Clearing Members and Sponsored Principals shall remain liable to pay, and shall continue to make timely payment of, all amounts falling due to, and shall remain liable to deliver, and shall continue to make timely delivery of, all property falling due for delivery to, the Clearing House in accordance with the Rules and Procedures, including obligations to pay Initial Margin, Mark-to-Market Margin

Guaranty Fund Contributions and Assessment Contributions (in the latter case, subject always to the relevant caps set out in Rule 909(c) and (d));

(ii) the Clearing House will remain liable to pay or release Initial Margin to Clearing Members and Sponsored Principals in the usual way, subject to netting to take account of any Cash Gainer Adjustment; and

(iii) the Clearing House's obligation to pay or release Initial Margin shall not be subject to reduction under this Rule 914 as a result of any Distribution Haircut.

All such payments shall be made without regard to whether any payment which would have fallen due (were it not for the RGD Determination) has been made and without any offsetting or withholding of amounts under any other right of or to netting, set-off, lien, recouping, property, combination of accounts or other basis.

(t) Rules 914 (h), (j) (k) and (l) shall apply to the CDS Contract Category, *mutatis mutandis*.

**Rule 915 Partial Tear-Up**

(a) This Rule 915 shall apply if:

(i) in relation to the CDS Contract Category, one or more Secondary CDS Auctions has failed to eliminate or replace all remaining risk of the Open Contract Positions of a Defaulter and any hedging transactions entered into by the Clearing House in accordance with Rule 903(c), determined in accordance with the Default Auction Procedures, Rule 914(o) and, to the extent relevant Rule 907(d);

(ii) [intentionally omitted]

(iii) in relation to the F&O or FX Contract Categories, an auction has taken place pursuant to the applicable Default Auction Procedures and this has failed to eliminate or replace all remaining risk of the Open Contract Positions of a Defaulter and any hedging transactions entered into by the Clearing House in accordance with Rule 903(c); and

(iv) the Clearing House has issued a Partial Tear-Up Circular.

(b) Where this Rule 915 applies, the Clearing House may terminate Open Contract Positions held by non-defaulting Clearing Members and Sponsored Principals which offset Open Contract Positions of the Defaulter and any Open Contract Positions of the Defaulter and any such hedging transactions shall terminate (to the extent not previously terminated) ("**Partial Tear-Up**").

(c) If it determines that Partial Tear-Up should apply to any Contract Category or Set, the Clearing House will issue a Circular (a "**Partial Tear-Up Circular**") stating:

(i) the remaining Open Contract Positions of the Defaulter that have not otherwise been replaced or terminated through the close out process under Rule 905 (the "**Remaining Defaulted Positions**");

(ii) the affected Contract Category, Sets and termination prices (each, a "**Partial Tear-Up Price**") for each Tear-Up Position; and

(iii) the date and time as of which Partial Tear-Up will occur, which for the CDS Contract Category will be 5 p.m. on the Business Day on which the Clearing House has determined that a Loss Distribution Period will not continue (the "**Partial Tear-Up Time**").

The Clearing House will then give notice to each non-defaulting Clearing Member or Sponsored Principal of the Open Contract Positions of such Clearing Member or Sponsored Principal that will be subject to Partial Tear-Up (the "**Tear-Up Positions**").

(d) The Clearing House will determine and designate the Tear-Up Positions of Clearing Members and Sponsored Principals pursuant to the following methodology:

(i) the Clearing House will only designate Tear-Up Positions in the identical Contracts (on the opposite side of the market) and in an aggregate amount equal to that of the Remaining Defaulted Positions;

(ii) the Clearing House will designate Tear-Up Positions in a particular Contract only for Clearing Members and Sponsored Principals that have an Open Contract Position in such Contract, whether for their Proprietary Account and/or any Customer Account, as follows: the Clearing House shall designate Tear-Up Positions in the Proprietary and Customer Accounts of all Clearing Members and Sponsored Principals with Open Contract Positions in the relevant Contracts in such Accounts, on a *pro rata* basis (provided that solely to the extent such pro rata determination would result in creation of a Tear-Up Position with a notional amount that includes a fraction of 0.01 in the relevant currency, the Clearing House will reallocate such fractional position among Clearing Members and Sponsored Principals on a random basis to avoid such result);

(iii) with respect to a Tear-Up Position designated in a Customer Account of a Clearing Member, the Tear-Up Position shall be allocated on a *pro rata* basis across any Customers (excluding Affiliates of the relevant Clearing Member) that have Open Contract Positions in such Contract in such account; and

(iv) where the Clearing House has in effect one or more hedging transactions related to the Remaining Default Positions which hedging transactions will not themselves be subject to Partial Tear-Up, the Clearing House may offer to assign or transfer such hedging transactions to Clearing Members with related Tear-Up Positions, on such basis as the Clearing House may reasonably determine.

(e) Upon and with effect from the Partial Tear-Up Time, every Tear-Up Position shall be automatically terminated at the Partial Tear-Up Price, without the need for any further step

by any party to such Contract. Upon such termination, either the Clearing House or the relevant Clearing Member or Sponsored Principal, as the case may be, shall be obliged to pay to the other the applicable Partial Tear-Up Price (which, in either case, shall be satisfied only through application of any applicable Mark-to-Market or Variation Margin for such Tear-Up Position, determined for this purpose as though all Mark-to-Market Margin payments had been made in any relevant Loss Distribution Period without regard to any Cash Gainer / Loser Adjustments). Upon the termination of a Tear-Up Position, the corresponding Open Contract Position of the Defaulter shall be deemed terminated at the Partial Tear-Up Price.

(f) For a CDS Contract the Partial Tear-Up Price for each Tear-Up Position shall equal the Mark-to-Market Price, for a Future or Option Contract the Partial Tear-Up Price shall equal the Exchange Delivery Settlement Price, and for an FX Contract the Partial Tear-Up Price shall equal the FX Market Price, in each case as established for such position as of the Partial Tear-Up Time, determined using the methodology customarily applicable for determining Mark-to-Market Prices. Such Partial Tear-Up Price shall be determined without reference to the Loss Distribution Process in Rule 914. If no Mark-to-Market Price, Exchange Delivery Settlement Price or FX Market Price exists or is determined, the Partial Tear-Up Price shall be as determined under Rule 916(d)(ii). If no price described in Rule 916(d)(ii) exists or is determined, the Partial Tear-Up Price shall be as described in Rule 916(d)(iii) or, alternatively, the Partial Tear-Up Price shall be such other price as the Clearing House may establish in accordance with the Procedures and its risk policies.

(g) No action or omission by the Clearing House pursuant to and in accordance with this Rule 915 shall constitute a Clearing House Event.

**Rule 916** ***Contract Termination following Certain Conditions or Under-priced Auction***

(a) If:

(i) [Not used.]

(ii) the following conditions are satisfied:

(A) an Event of Default has been declared but the Clearing House has not yet declared (and either paid or submitted a claim in respect of) all net sums due to or from the Defaulter in respect of its Proprietary Account and all of its different Customer Accounts;

(B) the Clearing House determines that one or more of the following circumstances has arisen:

(1) its obligations to meet Outward MTM/VM Payments or the Transfer Cost, in its view, may not to be satisfied by applying Available Resources and the provisions set out in Rule 914;

(2) following either the declaration of all net sums in respect of a particular Event of Default or, where any net sum has not been

declared, based on the calculation of an Estimated Payable Net Sum, the Clearing House, in its view, may either:

(a) become unable to pay its debts as they fall due; or

(b) have total liabilities which exceed its total assets,

in either case if it does not invoke the provisions set out in this Rule 916; or

(3) there has been a Under-priced Auction in respect of the Relevant Contract Category;

The Clearing House may make such currency conversions at its discretion and as it seems fit for purposes of making any of such determinations listed in paragraphs (1) or (2), based on the rates of exchange that would be applicable in respect of amounts due to or from a Defaulter;

(C) either (x) all of the Contracts of the Defaulter have been terminated; or (y) there has been a Default Auction or attempted Default Auction; and

(D) there has been no Clearing House Event; or

(iii) following the service of notices by Clearing Members and Sponsored Principals under Rule 917, the Clearing House determines that there are insufficient Clearing Members and Sponsored Principals interested in continuing to clear Contracts of a Relevant Contract Category for clearing of such Relevant Contract Category to remain viable,

and there has been no Clearing House Event, then the Clearing House may issue a Termination Circular.

(b) If the Clearing House is to terminate Contracts under this Rule 916, it must issue a Circular (a "**Termination Circular**") stating:

(i) the Relevant Contract Category or Relevant Contract Categories in respect of which Contracts are to be terminated;

(ii) the Clearing House's intention to rely upon and apply Rule 916;

(iii) the applicable Termination Price for each Contract Set of the Relevant Contract Category or Relevant Contract Categories that are to be terminated;

(iv) the date and time on which termination will take place "**Termination Time**"); and

(v) such other matters as the Clearing House considers are relevant.

(c) Upon and with effect immediately as from the Termination Time, every open Contract in the Relevant Contract Category shall be automatically terminated at the Termination Price, without the need for any further step by any party to such Contract. Neither the Clearing House nor any Clearing Member or Sponsored Principal that is not a Defaulter shall be obliged to make any further payments, physical settlement or deliveries under any Contract which would, but for this Rule 916(c), have fallen due for performance on or after the Termination Time, and any obligations to make further payments or deliveries which would otherwise have fallen due shall be satisfied by settlement (whether by payment, set off or otherwise) of the Termination Amount and other payment and delivery obligations in relation to any Contracts and any other obligations pursuant to the Rules (including the repayment or redelivery of any Original/Initial Margin or Guaranty Fund Contribution) that is relevant solely to the Relevant Contract Category that is subject to a termination shall be payable or deliverable on the Business Day after the Termination Time and in accordance with the provisions of this Rule 916 in full discharge of the Clearing House's obligations in respect of Contracts of the Relevant Contract Category.

(d) The Termination Price for Contracts in the same Set shall be the equal for all such Contracts and shall be the same for all Clearing Members and Sponsored Principals that are party to Contracts of the same Set. Termination Prices shall be based upon the value of Contracts as at the Termination Time in accordance with the principles set out in this Rule 916(d) but without reference to the Loss Distribution Process in Rule 914. Such Termination Prices shall be calculated as the relevant loss or gain that would be calculated for purposes of items *L* and *A* in Rule 905(a) were a net sum to be required to be calculated, but based on:

(i) for a Set:

(A) of F&O Contracts, the Exchange Delivery Settlement Price (excluding any such price determined or over-ridden by the Clearing House) or any other exchange delivery settlement price or other settlement price or market quotation established or published by a Market for which the Clearing House provided Clearing services for the relevant Contract Set prior to the Termination Date (or, if the Termination Date is not a business day for the relevant Market, the business day for the relevant Market immediately preceding the Termination Date);

(B) of CDS Contracts, the latest established Mark-to-Market Price for each relevant Set as at the Termination Time, determined using the methodology standardly applicable for determining Mark-to-Market Prices; or

(C) of FX Contracts, the latest established FX Market Price for each relevant Set as at the Termination Time, determined using the methodology standardly applicable for determining FX Market Prices,

provided that, prior to or around the time of giving effect to the termination, the Clearing House may, following consultation with the Risk Committee, determine that it should conduct a final price submission and price determination process to determine a Mark-to-Market Price or FX Market Price for purposes of termination

in which it shall use its standard processes and procedures to determine the price and which Clearing Members shall participate in fully, in good faith, using their standard processes and procedures and in accordance with Applicable Laws.

(ii) if no price described in Rule 916(d)(i) exists or is determined, the last market quotation or settlement price established or published by another Exchange or Clearing Organisation (that is not subject to an Insolvency) selected by the Clearing House for an economically similar contract to the Set immediately prior to the Termination Time; or

(iii) if no price described in Rule 916(d)(i) or (ii) exists or is determined, at a commercially reasonable price as reasonably determined by the Clearing House by reference to objective and observable market prices at the relevant Termination Time, the mean settlement price for the Termination Time based on a survey of market participants active in Contracts similar to the Set or otherwise on such basis as the Clearing House determines with a view to obtaining a fair valuation.

(e) The maximum amount that may be paid or repaid in respect of the Relevant Contract Category and related liabilities and rights shall be calculated separately in respect of each Margin Account for each Clearing Member and Sponsored Principal with a Relevant Membership Category that is not a Defaulter, by way of a net sum calculation using the calculation under Rule 906 *mutatis mutandis*, as if the Clearing Member or Sponsored Principal were a Defaulter, bringing into account the Termination Price for purposes of calculating amounts *L* and *A* and all net Cash Gainer Adjustments relating to the Relevant Contract Category but otherwise solely bringing into account any amount for purposes of such calculation inasmuch as it relates to the Relevant Contract Category ("**Product Termination Amount**"). To the extent that any Original/Initial Margin, Surplus Collateral or other assets are held by the Clearing House for the account of a Clearing Member or Sponsored Principal in respect of any Contract of a Relevant Contract Category (or any such asset becomes Surplus Collateral as a result of Termination), the amount of such Original/Initial Margin, assets or Surplus Collateral shall be included in the Product Termination Amount.

(f) Following its determination of the Product Termination Amount in relation to each Margin Account for each Clearing Member or Sponsored Principal that is not a Defaulter, the Clearing House shall calculate the Available Product Funds as the sum equal to the aggregate of the Negative Product Repayment Amounts in respect of each affected Clearing Member and Sponsored Principal. Where the Available Product Funds are less than the aggregate amount of Positive Product Repayment Amounts, the Clearing House shall calculate the Discounted Product Repayment Amount for each Positive Product Repayment Amount payable to the Clearing Member or Sponsored Principal by multiplying each such Positive Product Repayment Amount by the fraction determined by dividing *A* by *B*, where *A* is the Available Product Funds and *B* is the aggregate amount of Positive Product Repayment Amounts.

(g) Prior to any amount being paid or collected pursuant to Rule 916(h), the Clearing House shall notify each Clearing Member and Sponsored Principal that is due to receive a Positive

Product Repayment Amount of such amount and any Discounted Product Repayment Amount and the extent to which this differs from the Product Termination Amount. This notification shall show in reasonable detail how any Discounted Product Repayment Amount has been calculated by the Clearing House. Where a Discounted Product Repayment Amount is notified to a Clearing Member or Sponsored Principal, such amount shall be payable by the Clearing House and the Clearing House shall have no obligation (other than pursuant to Rule 916(i)) to pay either the Product Termination Amount or the Termination Price or any difference between any such amount or price and the Discounted Product Repayment Amount.

(h) The Clearing House will issue payment instructions to collect (and each Clearing Member and Sponsored Principal shall, immediately upon receipt of any such instructions, pay) each Negative Product Repayment Amount in respect of the Relevant Contract Category, prior to the Clearing House making payment to Clearing Members and Sponsored Principals of Positive Product Repayment Amounts or Discounted Product Repayment Amounts. All payments in respect of Negative Product Repayment Amounts shall be made by Clearing Members and Sponsored Principals without any offsetting or withholding of amounts under any other right of or to netting, set-off, lien, recouping, property, combination of accounts or other basis. If any Clearing Member or Sponsored Principal fails to pay any Negative Product Repayment Amount due to the Clearing House, the Discounted Product Repayment Amount may be recalculated for each Margin Account and Contributing Clearing Member and, if so recalculated, will be notified to affected Contributing Clearing Members. Payment of any Discounted Product Repayment Amount shall constitute full satisfaction of the Clearing House's obligations and liabilities relating to the Relevant Contract Category.

(i) Notwithstanding the termination process under this Rule 916, Clearing Members and Sponsored Principals, (including each Defaulter) and the Clearing House, shall each remain liable to pay, and shall continue to make timely payment of, all amounts falling due, and shall remain liable to deliver, and shall continue to make timely delivery of, all property falling due for delivery, in accordance with the Rules and Procedures, including: (A) pursuant to Contracts which are not terminated; (B) Original/Initial Margin in relation to Contracts that are not terminated; (C) replenishments of and returns in respect of Guaranty Fund Contributions in respect of any Guaranty Fund that is not a Relevant Guaranty Fund; and (D) Assessment Contributions subject always to the relevant caps set out in Rule 909.

(j) Any rebate, incentive scheme or fee discount arrangements that would otherwise result in amounts being payable by the Clearing House (whether for itself or on behalf of any Market) in respect of Contracts to be terminated under this Rule 916 shall not be applicable in respect of such Contracts.

(k) No action or omission by the Clearing House pursuant to this Rule 916 shall constitute any kind of Clearing House Event.

(l) If the Clearing House terminates Contracts of a particular Set, this shall not preclude it from terminating Contracts of a different Set of the same Relevant Contract Category in respect of the same Event of Default.

(m) In carrying out any calculations or making any determinations pursuant to this Rule 916, the Clearing House may convert any amounts denominated in one currency into another currency chosen by the Clearing House in its discretion and at a rate of exchange chosen by the Clearing House in its discretion, provided the Clearing House shall act in a commercially reasonable manner when choosing a currency or a rate of exchange for the aforesaid purposes.

(n) Notwithstanding Rule 1102(k) and Rule 914(j), this Rule 916(n) shall apply where the Clearing House (1) receives amounts from a Defaulter or another Clearing Member or Sponsored Principal or any insurer that would, had it been paid on time, have meant that a Negative Product Termination Amount being lower or eliminated or a Positive Product Termination Amount being higher; (2) recalculates any Estimated Payable Net Sum in circumstances in which the previously Estimated Payable Net Sum was higher in circumstances in which any resulting Negative Product Termination Amount would have been lower or eliminated or a Positive Product Termination Amount would have been higher based on the later Estimated Payable Net Sum; or (3) an actual net sum is declared by the Clearing House under Rule 906 in circumstances in which any resulting Negative Product Termination Amount would have been lower or eliminated or a Positive Product Termination Amount would have been higher based on the actual net sum. Where this Rule 916(n) applies, the Clearing House shall distribute such amounts as it has received or estimates are now available (as applicable) (after deducting any administration and other costs of the Clearing House, including, without limitation, the costs of recovering or recalculating any such amounts):

(i) first to Clearing Members and Sponsored Principals that are not Defaulters who would, but for this Rule 916, have received a Termination Price in full, with the payments determined on a *pro rata* basis based on the difference between the Discounted Product Repayment Amount and the Product Repayment Amount in respect of each Clearing Member or Sponsored Principal;

(ii) secondly, in accordance with Rule 914(j); and

(iii) for the avoidance of doubt, thirdly, under Rule 1102(k) (as modified by Rule 914(j)).

(o) Nothing in this Rule 916 shall require the Clearing House to pursue any litigation, claim or other action against a Clearing Member, Sponsored Principal, Sponsor or Defaulter in respect of any amount, obligation or asset (not being Available Resources or Available Defaulter Resources) which is owed or due but unpaid or unsatisfied by such Clearing Member, Sponsored Principal, Sponsor or Defaulter.

(p) Payments of Negative Product Repayment Amounts, Positive Product Repayment Amounts and Discounted Product Repayment Amounts may be made following such netting with other payment obligations as are provided for in Part 3 and the Finance Procedures.

**Rule 917** ***Cooling-off period and Clearing Member termination rights***

(a) Upon the occurrence of any Cooling-off Period Trigger Event, the Clearing House shall issue a Circular notifying Clearing Members and Sponsored Principals of the commencement of the Cooling-off Period, setting out the date on which such period is scheduled to end (and the date on which the Cooling-off Termination Period is scheduled to end), and specifying the Relevant Contract Category.

(b) From the commencement of, and solely for the duration of, the Cooling-off Period:

(i) neither Rule 909(d) nor the second sentence of any of Rule 909(f) shall apply to a Clearing Member with the Membership Category of the Relevant Contract Category, until the end of the Cooling-off Period;

(ii) the aggregate of all Relevant Assessment Contributions of Clearing Members under Rule 909 and all amounts payable to replenish Guaranty Fund Contributions due under Rule 1102(i) or 1102(j) in respect of all Events of Default occurring or declared during the Cooling-off Period in relation to the Relevant Contract Category shall not exceed three times the amount of the Clearing Member's required Relevant Guaranty Fund Contribution immediately prior to the commencement of the Cooling-off Period (with any Assessment Contributions payable in respect of the Event of Default which occurred prior to the start of the Cooling-Off Period being counted towards reducing such maximum amount); and a Clearing Member in a Cooling-off Period that has made a total of three Relevant Assessment Contributions shall not be liable for any further replenishments of its Relevant Guaranty Fund Contribution or Relevant Assessment Contributions, regardless of how many additional Events of Default take place;

(iii) for the avoidance of doubt, the required Guaranty Fund Contribution-based caps on the amount of Assessment Contributions for a Clearing Member in respect of each particular Relevant Contract Category shall apply on a per Event of Default basis, in the same way as set out in the paragraph beginning "CAA" in Rule 909(c) and the first sentence of Rule 909(f), in respect of each Event of Default occurring or declared during the Cooling-off Period;

(iv) Clearing Members remain liable to make Relevant Guaranty Fund Contributions under Rule 1102(i) or Rule 1102(j), subject to Rule 917(b)(ii); and

(v) the Clearing House may rebalance, re-set or recalculate the Relevant Guaranty Fund Contribution requirements or the total required amount in any Relevant Guaranty Fund for purposes of determining liability for replenishment of Relevant Guaranty Fund Contributions or Relevant Assessment Contributions, but such adjustments will not affect the limits provided in Rule 917(b)(ii);

provided that the limits set out in this Rule 917(b) shall only apply if the Clearing Member continues during the Cooling-off Period to pay the Clearing House all amounts when due (subject to the caps and limits set out in this Rule 917(b)).

(c) At any time during the Cooling-off Termination Period, a Clearing Member or Sponsored Principal with the Relevant Membership Category may give written notice of termination of that Membership Category or of its membership of the Clearing House to the Clearing House.

(d) At the end of the Cooling-off Period, the restrictions and requirements of Rule 917(b) shall cease to apply, subject to Rule 918(a)(ii), going forwards, to each Clearing Member that has not served a Termination Notice during the Cooling-off Termination Period.

(e)

(i) Nothing in this Rule 917 shall limit the Clearing House's right to call for Margin from any Clearing Member pursuant to Rule 502.

(ii) In addition to any Margin otherwise required by the Clearing House under the Rules, if:

(A) during the Cooling-off Period a Clearing Member has provided Relevant Guaranty Fund Contributions and/or Assessment Contribution in the aggregate equal to the maximum amount specified under Rule 917(b)(ii); and

(B) if such Clearing Member would, but for the provisions of this Rule 917, at any time be required to provide a Relevant Guaranty Fund Contribution,

such Clearing Member shall transfer to the Clearing House, by the open of business on the Business Day following request by the Clearing House and maintain with the Clearing House during the Cooling-off Period, additional Initial/Original Margin needed for the Clearing House to maintain compliance with applicable minimum regulatory financial resources requirements during the remainder or the Cooling-off Period. Such additional Initial/Original Margin may be calculated separately with respect to each Proprietary Account and Customer Account, on a net basis in each case, but in both cases shall be charged to one of the Clearing Member's Proprietary Accounts.

**Rule 918** ***Termination of membership***

(a) A Clearing Member or Sponsored Principal that has served a Termination Notice, under Rule 917(c) is subject to the following requirements, obligations and provisions (and certain of these provisions are also applicable pursuant to other sorts of termination or withdrawal, pursuant to Rule 105(c), Rule 209(b) and Rule 209(d)) (in the case of a Sponsored Principal, solely in respect of the relevant Individually Segregated Sponsored Account):

(i) it must use all reasonable endeavours, until such time (if any) as there is a subsequent Clearing House Event, to close out all of its open Contracts of the Relevant Contract Category prior to the Termination Close-Out Deadline Date;

(ii) if it closes out all of its open Contracts in respect of the Relevant Contract Category prior to the Termination Close-Out Deadline Date and complies with the other requirements of this Rule 918, it shall maintain the benefit of the protections set out in Rule 917(b) and such provision shall not apply solely during the Cooling-off Period;

(iii) after the Termination Notice Time, it shall only be entitled to submit Transactions relating to the Relevant Contract Category for clearing or become party to Contracts of the Relevant Contract Category which it can demonstrate have the overall effect of reducing Open Contract Positions in any Set of Contracts of a Relevant Contract Category or risks to the Clearing House associated with Contracts of a Relevant Contract Category, whether by hedging, novating, Transferring, terminating, liquidating or otherwise closing out such Contracts;

(iv) if it is a Clearing Member and has any open Contracts of the Relevant Contract Category with the Clearing House (whether recorded in a Proprietary Account or Customer Account) after the Termination Close-Out Deadline Date (and notwithstanding any provision of Rule 909 to the contrary) the Clearing Member shall as from the Termination Close-Out Deadline Date:

(A) become liable to replenish any Relevant Guaranty Fund Contribution that would have fallen due for replenishment but has not been paid, become liable to have applied any Relevant Guaranty Fund Contribution that would have been applied but was not so applied and become liable to pay any Relevant Assessment Contribution that would have fallen due but has not been paid, in each case to the extent that the same would have been payable or applied but for its service of a Termination Notice and in each case in respect of any Event of Default affecting a Clearing Member with a Relevant Membership Category that has occurred subsequent to the Termination Notice Time;

(B) become liable for further obligations to replenish any Relevant Guaranty Fund Contribution, have any Relevant Guaranty Fund Contribution applied or pay Relevant Assessment Contributions in the same way as any other Clearing Member with its Membership Categories in respect of any Event of Default occurring prior to the Termination Date; and

(C) be subject to the Clearing House exercising rights in Part 9 to liquidate or Transfer the Open Contract Positions of the Clearing Member of the Relevant Contract Category (insofar as they relate to clearing of Contracts relating to a Relevant Contract Category) and otherwise deal with the Clearing Member's Contracts and property in the same way as if the Clearing Member were a Defaulter.

(v) the Clearing House may call for additional Original/Initial Margin until such time as all of its open Contracts of the Relevant Contract Category have been terminated,

and such Clearing Member or Sponsored Principal shall pay such additional Original/Initial Margin to the Clearing House as is requested on time;

(vi) if it is a Clearing Member, it shall be obliged to participate in Default Auctions pursuant to the Default Auction Procedures in the same way as any other non-defaulting Clearing Member and subject to the provisions of Rule 908(h) in respect of all Events of Default occurring prior to the Cooling-off Period Trigger Event which gave rise to or extended the Cooling-off Termination Period during which the Clearing Member served its Termination Notice (or, if Rule 917(c) does not apply, the Termination Notice Time);

(vii) [not used];

(viii) following termination of all open Contracts of the Relevant Contract Category to which a terminating Clearing Member or Sponsored Principal (the "**Terminating Participant**") was party in relation to a particular Customer Account or Proprietary Account, the Clearing House shall then declare a net sum (which may be declared in parts, as envisaged below) as due to or from the Terminating Participant in accordance with Rules 904 and 906, in the same way as if the Terminating Participant were a Defaulter but with the following modifications:

(A) references in Part 9 to "Default" or an "Event of Default" shall be read as references to a Terminating Participant terminating its membership of the Relevant Membership Category and, in the case of a failure to close out Contracts of the Relevant Contract Category only in respect of a particular Customer Account or Proprietary Account, shall be construed as applying only in respect of such account;

(B) any net sum calculated in relation to the Terminating Participant under Rule 906 will be calculated only with regard to rights, obligations and liabilities relating to the Relevant Contract Category and any such net sum which is payable to the Terminating Participant shall not be paid by the Clearing House to such Terminating Participant until the later of:

(1) ten Business Days after the date on which the termination of the Terminating Participant's open Contracts of the Relevant Contract Category and the realisation or return of any Original/Initial Margin provided in respect of such Contracts, Relevant Guaranty Fund Contributions or other assets remaining credited to the Terminating Participant's relevant Proprietary Account or Customer Account in respect of clearing of the Relevant Contract Category or otherwise in the Clearing House's possession in respect of clearing of the Relevant Contract Category is completed (subject always to Rule 102(q)); or

(2) if the Terminating Participant has any unapplied Relevant Guaranty Fund Contributions, the date of expiry of the Guaranty Fund Period for the Relevant Guaranty Fund immediately following the Guaranty Fund Period current on the Termination Date;

(C) notwithstanding anything in Part 9 or elsewhere in these Rules:

(1) the Clearing House may at its discretion return amounts due to the Terminating Participant in different currencies or by way of transfer or return of non-cash Permitted Cover to the Terminating Participant;

(2) the Clearing House may further pay any net sum calculated under Rule 906 and payable to the Terminating Participant in different amounts denominated in different currencies and is not required to pay a single sum in one currency; and

(3) the Clearing House may make part payment of any amounts due excluding the Relevant Guaranty Fund Contribution prior to the time specified in Rule 918(a)(viii)(B).

(D) it is acknowledged that any 'net sum' declared in accordance with this Rule 918(a)(viii) is not formally a 'net sum' for purposes of the Companies Act 1989 or Settlement Finality Regulations;

(E) a Clearing Member or Sponsored Principal subject to these provisions is not a Defaulter and no Default Notice will be issued or required to be issued in respect of such Clearing Member, Sponsor or Sponsored Principal in order for the Clearing House to exercise its rights under this provision or for the Clearing Member, Sponsor or Sponsored Principal in question to receive any payment or return of assets; and

(F) references to Part 9 in any other Rules or in the Procedures, Circulars or Guidance shall be construed in accordance with this Rule 918 when they fall to be applied in relation to the termination of a Clearing Member's membership or Sponsored Principal's status under this Rule 918 and any action taken by the Clearing House following such termination taking effect.

(b) If:

(i) a Clearing Member has served a Termination Notice under Rule 917(c);

(ii) there is an Event of Default or are Events of Default before the relevant Termination Date,

then the Clearing Member in question shall remain liable for the application of any then unapplied Relevant Guaranty Fund Contributions and unapplied Relevant Assessment Contributions (including those paid or which the Clearing Member is liable to pay under Rule 209(d)) for all such Events of Default (as if all such Events of Default had been declared by the Clearing House prior to the Termination Notice Time), subject to the general limits relating to particular Events of Default and all Events of Default referred to in this Rule 918.

(c) Any Termination Notice issued by a Clearing Member or Sponsored Principal shall be irrevocable by the Clearing Member or Sponsored Principal and membership may only be reinstated pursuant to a new application for membership following the close-out of all its open Contracts of the Relevant Contract Category.

(d) A Clearing Member whose membership in respect of the Relevant Membership Category has terminated shall, following the Termination Date, cease to be liable for Guaranty Fund Contribution replenishments under Rule 1102 in respect of Events of Default relating to the Relevant Contract Category or affected Membership Category that occurs after the Termination Date.

**Rule 919** ***Non-Default Losses and Investment Losses***

(a) This Rule 919 shall only apply if:

(i) there has been a Non-Default Loss or Investment Loss; and

(ii) there has been no Clearing House Event.

(b) Any Non-Default Loss will first be met by the Clearing House applying any Loss Assets that were available at the time of the event giving rise to the Non-Default Loss and after that, only by applying any other available capital or assets of the Clearing House. The first portion of any Investment Loss will also be met by the Clearing House first applying any Loss Assets that were available at the time of the event giving rise to the Investment Loss prior to taking any action under Rule 919(c).

(c) Upon the Clearing House certifying an Investment Loss Amount in a Circular of an amount greater than the Loss Assets that were available at the time of the event giving rise to the Investment Loss, all Clearing Members shall indemnify the Clearing House and become liable to pay Collateral Offset Obligations to the Clearing House in accordance with the formula set out in Rule 919(d). Any Circular under this Rule 919(c) shall specify:

(i) the nature and extent of the Investment Loss

(ii) the date on which Collateral Offset Obligations will become due; and

(iii) such other matters as the Clearing House considers are relevant.

(d) The Collateral Offset Obligation payable by each Clearing Member shall be the amount:

$$(ILA - LA) \quad \text{x} \quad \frac{GF\&M(CM)}{GF\&M(all)}$$

subject to the caps in Rules 919(d)-(e).

where:

*ILA* is the Investment Loss Amount certified by the Clearing House in a Circular;

*LA* is the total amount of available Loss Assets at the time of the event giving rise to the Investment Loss and have been or are to be attributed to meet the Investment Loss Amount;

*GF&M(CM)* 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 the relevant Clearing Member at the time of the event giving rise to the Investment Loss (provided that for a Defaulter, GF&M(CM) shall only equal the amount of such 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 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 Loss following exhaustion of the assets specified in this Rule 919 or in substitution of any such assets.

(i) No Collateral Offset Obligation shall reduce or otherwise affect the liability of a Clearing Member to make Guaranty Fund Contributions pursuant to Rule 1101 *et seq*., to replenish any Guaranty Fund Contribution pursuant to Rule 1102(i) or to pay Assessment Contributions. Notwithstanding any Collateral Offset Obligations, Clearing Members shall remain liable to pay, and shall continue to make timely payment of, all amounts falling due to, and shall remain liable to deliver, and shall continue to make timely delivery of, all property falling due for delivery to, the Clearing House in accordance with the Rules and Procedures, including obligations to pay Original/Initial Margin, Guaranty Fund Contributions and Assessment Contributions and the Clearing House will remain liable to pay or release Margin and Permitted Cover to Clearing Members in the usual way, subject to netting under Part 3 and the Finance Procedures to take into account the effect of any Collateral Offset Obligation. All such payments shall be made without regard to whether any payment which would have fallen due (were it not for the Collateral Offset Obligations) and without any offsetting or withholding of amounts under any other right of or to netting, set-off, lien, recouping, property, combination of accounts or other basis.

(j) If the Clearing House determines that it has provided for Collateral Offset Obligations in excess of that required or actually applied against an Investment Loss (less Loss Assets applied) or makes a recovery that is due to Clearing Members under Rule 909(l), it shall credit any excess or recovered amounts due to the Clearing Member's Proprietary Account. Credit to a Proprietary Account is not intended to prevent the Clearing Member from passing on the credit related to a Collateral Offset Obligation to any of its Customers under the relevant Customer-Clearing Member Agreement and Standard Terms, to the extent that the Collateral Offset Obligation relates to Margin or Permitted Cover on a Customer Account or is otherwise attributable to a Customer. If a Proprietary Account becomes over-collateralised as a result of any such credit, any resulting Surplus Collateral will be available for withdrawal under Part 3 and the Finance Procedures in the normal way.

(k) Liabilities of Clearing Members in respect of Collateral Offset Obligations under this Rule 919 shall apply independently from any powers of assessment under Rule 909 and give rise to a separate and additional payment obligation for Clearing Members. For the avoidance of doubt, none of the caps on powers of assessment liabilities arising pursuant to Rule 917 or 918 shall restrict or limit any liability of a Clearing Member in respect of Collateral Offset Obligations under this Rule 919. The conditions in Rule 916(a)(ii)(B)(2) shall not be considered satisfied to the extent that they are only satisfied as a result of any Non-Default Loss or Investment Loss.

(l) Any right being exercised or circumstances occurring that are governed by this Rule 919 shall not constitute any kind of Clearing House Event.

(m) Payments of Collateral Offset Obligations may be made pursuant to Part 3 of the Rules and the Finance Procedures. This Rule 919 is without prejudice to the Clearing House's rights to set off or net any sum owed by a Clearing Member to the Clearing House against any sum payable by the Clearing House to a Clearing Member or to any other powers of the Clearing House under Parts 3, 9 or 11 or the Procedures, but the Clearing House may not take any action under those provisions to the extent inconsistent with the provisions of this Rule 919.

(n) Nothing in this Rule 919 shall require the Clearing House to pursue any litigation, claim or other action against a Clearing Member, Defaulter, Custodian or any other Person in respect of any amount, obligation or asset which is owed or due but unpaid or unsatisfied by such Clearing Member, Defaulter, Custodian or other Person.

(o) In carrying out any calculations or making any determinations pursuant to this Rule 919, the Clearing House may convert any amounts denominated in one currency into another currency chosen by the Clearing House in its discretion and at a rate of exchange chosen by the Clearing House in its discretion, provided the Clearing House shall act in a commercially reasonable manner when choosing a currency or a rate of exchange for the aforesaid purposes.

(p) The Clearing House will notify Clearing Members from time to time, by Circular of the total amount of Loss Assets, which will be set at a level of USD 90 million as at the date of introduction of this Rule.

(q) The total amount of Loss Assets applied in connection with any Investment Loss shall be notified to Clearing Members in a Circular prior to or promptly after the same being applied or replenished. The Clearing House may also replenish any regulatory capital, using its or its Affiliates' resources or otherwise, as is required to bring it in compliance with Applicable Laws at any time including following an Investment Loss or Non-Default Loss. However, no such recapitalisation shall result in any obligation of any Clearing Member to pay Collateral Offset Obligations being reduced nor the size of any Investment Loss being reduced. The Clearing House may replenish Loss Assets through re-applying retained earnings, where these are available. To the extent that the Clearing House replenishes Loss Assets or its capital in such or other circumstances, its liability for any

further Non-Default Losses or Investment Losses shall not exceed the amount specified in Rule 919(p) or such other amount as is notified by Circular.

(r) Without limiting Rule 111 or Rule 502, but subject to any contrary requirements of Applicable Laws or this Rule 919, the Clearing House shall not be liable to any Clearing Member, Customer or other Person for any losses, liabilities, damages, costs, claims, shortfalls or expenses arising out of or relating to any failure, in whole or in part, of any payment or securities services provider, including without limitation any Custodian, Approved Financial Institution, central securities depository or central bank.

## 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, employees or committees (or any individual committee member) (or agents in their capacity as such), such complaint shall be investigated in accordance with the 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 issue under investigation.

(c) In the course of conducting an investigation, the Clearing House may 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) 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 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) Once the Clearing House 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 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(s) or

inaccuracy it considers to be contained in the Letter of Mindedness. The IM is not intended to be a hearing. 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 following the completion of its investigation the Clearing House may:

(i) 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) 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 appealable to the Appeal Panel directly without reference first to a Disciplinary Panel;

(iv) commence disciplinary proceedings under Rule 1003 *et seq.*;

(v) 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) 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;

(vii) 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 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, 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 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 dealing with or relating to the matter which is the subject of the current disciplinary proceedings.

(c) The Clearing Member 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. 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 related to the appointment of the chairman of the Disciplinary Panel, the Chairman of the Clearing House.

(d) In the event that any member of the Disciplinary Panel having or acquiring a personal or financial interest in the 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 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) After the appointment of a Disciplinary Panel, the Clearing House shall serve a formal written notice ("**Notice**") on the Clearing Member, setting out the alleged breach of the Rules, including a summary of the facts relied upon in sufficient detail 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 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 serve a statement of defence (the "**Defence**"). The Defence shall state whether the Clearing Member the subject of a Notice accepts the allegations 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 specified in the Notice.

(i) 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, provided that:

(i) the deletion, alteration, addition, change, amendment or variation arises out of or in connection with the conduct which is the subject of the Disciplinary Proceedings;

(ii) the essential character of the 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) For the avoidance of doubt, the power of the Clearing House to amend a Notice 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 is not 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) 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 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) 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 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 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) 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) 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 legally constituted court, tribunal, arbitrator, expert or any other Governmental Authority.

(o) 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) 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(m), the Disciplinary Panel shall communicate in writing to the Clearing House and to the Clearing Member concerned 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. 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 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(t), the sanctions which may be imposed on a person subject to the Rules by a Disciplinary Panel 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, 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) 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.

(r) Following 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 liquidation of any of them).

(s)

(i) The contravention by a Clearing Member of any sanction imposed or direction made under or pursuant to Rule 1003(p) 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 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.

(t) 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(t). 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 agreement to refer the matter to the Summary Procedure the Clearing House in its absolute discretion shall appoint three Directors or employees of the Clearing House or of any Clearing Member other than the Clearing Member subject to the Summary Procedure, who shall form a Summary Disciplinary Committee. The Clearing House shall appoint one such member of the Summary Disciplinary Committee to act as chairman.

(d) The Summary Disciplinary Committee shall make such directions as to the conduct of the case 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) All hearings before the Summary Disciplinary Committee shall 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 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 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 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 Appeal Panel may affirm, vary or revoke the sanction. The 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 Appeal Panel.

(c) The Clearing House shall have 14 working days or such other period as the chairman of the Disciplinary Panel or the Summary Disciplinary Committee, as the case may be (or the 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) The Appeal Panel shall consist of a 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 Appeal Panel. Expert assessors may be appointed, at the discretion of the chairman of the Appeal Panel, to sit with and advise the Appeal Panel but not to vote. No Person shall serve on or sit with an Appeal 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) 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(l) and shall be bound by Rule 1003(m) and (n). The Appeal Panel shall have all the powers which are vested in 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 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** ***Sponsored Principals***

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

## Part 11 Guaranty Funds

### Rule 1101 *Establishment and parameters of the Guaranty Funds*

(a) There shall be three separate Guaranty Funds operated by the Clearing House: the F&O Guaranty Fund, the CDS Guaranty Fund and the FX Guaranty Fund. F&O Clearing Members shall be liable to make and maintain F&O Guaranty Fund Contributions. CDS Clearing Members shall be liable to make and maintain CDS Guaranty Fund Contributions. FX Clearing Members shall be liable to make and maintain FX Guaranty Fund Contributions. The total amount required in each Guaranty Fund will be established by the Clearing House in accordance with the Finance Procedures. F&O Guaranty Fund Contributions will be designated for each Guaranty Fund Period and F&O Clearing Member as relating primarily to either Energy or Financials & Softs Clearing, based on the Margin requirements for such Contracts for the purposes of Rule 908(a)(v) to (vii). The total amounts of each Guaranty Fund will be expressed (and Guaranty Fund Contributions will be called) in the currency or currencies set out in the Finance Procedures and will be reviewed periodically by the Clearing House in advance of the end of each Guaranty Fund Period for each of those Guaranty Funds. If the Clearing House determines that the total amount in any Guaranty Fund is to change, Clearing Members will be given notice by Circular and will be informed of their new Guaranty Fund Contribution requirements prior to the start of the Guaranty Fund Period when the change becomes effective.

(b) The Clearing House will communicate to Clearing Members by Circular the basis on which their Guaranty Fund Contributions are calculated.

(c) The Clearing House may vary the parameters by reference to which Guaranty Fund Contributions are calculated from time to time and at any time upon issuing a Circular to Clearing Members. Any new parameters will come into effect on the date of the next applicable re-calculation of Guaranty Fund Contributions, unless Clearing Members are otherwise notified of a different effective date. Parameters for Guaranty Funds will be established on the basis that the Guaranty Fund Contributions of each Clearing Member for F&O, CDS or FX will be proportional to the exposures of each Clearing Member in F&O, CDS or FX and that each Guaranty Fund shall enable the Clearing House to withstand, under extreme but plausible market conditions, (i) at least the largest default of the Clearing Member to which it has the largest exposures or the second and third largest Clearing Members, if the sum of their exposures is larger or (ii) such other higher default parameters required by other Applicable Laws with respect to financial resource requirements. The Clearing House may add further parameters to define the size of any Guaranty Fund.

(d) Clearing Members shall be required and liable to make Guaranty Fund Contributions in the amounts and at the times specified in accordance with Rule 1102 and Rule 1101(a), such that the Guaranty Funds are always at least of the size required pursuant to this Rule 1101, except in circumstances in which amounts are drawn down from any Guaranty Fund in order to meet liabilities resulting from an Event of Default and such amounts have not been replenished in accordance with this Part 11. For the avoidance of doubt, a Clearing Member will not be in breach of the Rules nor capable of being declared a

Defaulter solely as a result of any of its Guaranty Fund Contributions being applied and its Guaranty Fund Contributions with the Clearing House not being the total required amount (unless and until such time as the Clearing House issues a call for further Guaranty Fund Contributions and the amount called is not paid when due, in which case such Clearing Member may be declared a Defaulter).

(e) Separate amounts of Guaranty Fund Contribution may be calculated based on the Proprietary Account Positions and Customer Account Positions (if any) of a Clearing Member, but this shall not result in any restriction on the use of any Guaranty Fund Contribution as between losses on such Accounts or any Account of a Defaulter following an Event of Default.

**Rule 1102** ***Clearing Members' Contributions***

(a) Clearing Members' required Guaranty Fund Contributions at the start of each Guaranty Fund Period (or otherwise when a payment to a Guaranty Fund is due) will be calculated with reference to the total amount of the relevant Guaranty Fund established pursuant to Rule 1101.

(b) F&O Guaranty Fund Contributions, CDS Guaranty Fund Contributions and FX Guaranty Fund Contributions, for each Clearing Member, will be calculated for each Guaranty Fund Period based on criteria set out in the Finance Procedures, risk policies and Circulars, in accordance with the requirements of EMIR and other Applicable Laws.

(c) Required Guaranty Fund Contributions will be calculated or re-calculated, as the case may be, by the Clearing House for each Clearing Member and notified in advance of each Guaranty Fund Period.

(d) Guaranty Fund Contributions must be in the form of cash or other Permitted Cover, subject to such limits as are specified in the Finance Procedures and Circulars.

(e) In the event of any change in the value of non-cash Guaranty Fund Contributions, the Clearing Member may be required by the Clearing House to make an additional Guaranty Fund Contribution. Clearing Members will be permitted (and may be required) at any time to make additional Guaranty Fund Contributions (beyond the required Guaranty Fund Contributions) in order to reduce the risk that revaluations of non-cash Permitted Cover result in such additional Guaranty Fund Contributions falling due.

(f) New Clearing Members admitted to membership of the Clearing House shall make the required minimum Guaranty Fund Contributions plus such other amount as the Clearing House at its discretion determines is necessary based on projected clearing activity. Any such Guaranty Fund Contributions by a new Clearing Member or Clearing Members shall not result in any obligation on the Clearing House to repay any Guaranty Fund Contributions to other Clearing Members and the size of the relevant Guaranty Funds shall be increased accordingly until the end of the relevant Guaranty Fund Period.

(g) Guaranty Fund Contributions of a Clearing Member following termination of its membership of the Clearing House will be returned to the Clearing Member on the first

date of the first new Guaranty Fund Period beginning after the Transfer, close out or termination of all of its positions at the Clearing House and the payment of all other amounts due to the Clearing House (subject to Guaranty Fund Contributions being applied under Part 9 or this Part 11 and further subject to any extension to the relevant Guaranty Fund Period pursuant to Rule 1102(l)). Guaranty Fund Contributions of a Clearing Member that clears more than one Contract Category following termination of its clearing privileges in relation to one Contract Category will be returned to the Clearing Member on the first date of the first new Guaranty Fund Period for the relevant Contract Category beginning after the Transfer, close out or termination of all of its Contracts of that relevant Contract Category at the Clearing House and the payment of all other amounts due to the Clearing House in respect of such Contracts (subject to Guaranty Fund Contributions being applied under Part 9 or this Part 11 and further subject to any extension to the Guaranty Fund Period pursuant to Rule 1102(l)). The obligation of the Clearing House to return to any Clearing Member any remaining portion of its Guaranty Fund Contributions following an Event of Default or Clearing House Event will be satisfied by accounting for the amount of that obligation in the determination of a net sum under Rule 906 or Rule 912(a) (whichever is applicable) and payment of such net sum.

(h) Each Clearing Member will be entitled to receive interest payments on its cash Guaranty Fund Contributions each quarter through the banking arrangements detailed in Part 3 and no accommodation charges will apply to any non-cash Guaranty Fund Contributions.

(i) In the event of application of any Guaranty Fund Contributions taking place pursuant to Rule 908 or Rule 1103, the Clearing House shall:

(i) give notice by Circular of the amount by which each relevant Guaranty Fund has been reduced;

(ii) notify each Clearing Member and any relevant former Clearing Member of the amount for which it is liable to make additional Guaranty Fund Contributions in order to replenish the relevant Guaranty Funds;

(iii) in the case of any F&O Guaranty Fund Contributions being applied, specify the new amount of each of the Clearing House F&O Contributions by Circular;

(iv) in the case of any CDS Guaranty Fund Contributions being applied, specify the new amount of each of the Clearing House CDS Contributions by Circular; and

(v) in the case of any FX Guaranty Fund Contributions being applied, specify the new amount of each of the Clearing House FX Contributions by Circular.

Clearing Members must make required replenishment Guaranty Fund Contributions upon demand (subject to Rule 917 and Rule 918). The Clearing House shall ensure that any specified new Clearing House Contributions are held by it in accordance with Rule 1103(f) at the same date as Guaranty Fund Contributions for the relevant Guaranty Fund are so due. Any obligation on a Clearing Member to make payments pursuant to this Rule 1102(i) is separate from, and shall apply in addition to, any obligation to make payment in respect of Assessment Contributions pursuant to Rule 909.

(j) If:

(i) an Event of Default is declared in relation to more than one Defaulter contemporaneously (excluding an Event of Default declared in respect of a Disclosed Principal Member or Sponsored Principal when an Event of Default is declared contemporaneously in respect of its Clearing Member or Sponsor, respectively) (the defaulter in respect of whom default proceedings are first completed being the "**First Defaulter**" and any other defaulter being an "**Additional Defaulter**" or, if default proceedings are completed at the same time, the Defaulter whose name would appear first alphabetically being the "**First Defaulter**" and any other Defaulter or Defaulters being an "**Additional Defaulter**"); or

(ii) a separate Event of Default is declared in relation to a Defaulter or Defaulters that has or have made a Guaranty Fund Contribution or Guaranty Fund Contributions to the same Guaranty Fund (any, an "**Additional Defaulter**") prior to the termination of default proceedings in relation to an existing Defaulter ("**First Defaulter**"),

and recourse is made to Guaranty Fund Contributions in respect of the First Defaulter (or any Additional Defaulter), then (subject to Rule 917 and Rule 918(a)(ii)) Clearing Members shall be required to replenish the relevant Guaranty Fund pursuant to Rule 1102(i) separately in respect of each Defaulter causing a reduction in the Guaranty Fund. The Clearing House may apply Guaranty Fund Contributions and Clearing House Contributions resulting from replenishment following default proceedings in relation to the First Defaulter to meet the liabilities of an Additional Defaulter and may apply Guaranty Fund Contributions and Clearing House Contributions resulting from replenishment following default proceedings in relation to an Additional Defaulter to meet the liabilities of another Additional Defaulter. Other than as set out in this Rule 1102(j), amounts transferred by Clearing Members or former Clearing Members in order to replenish Guaranty Fund Contributions under Rule 1102(i) or amounts designated as Clearing House Contributions may not be applied to meet liabilities arising in connection with any Event of Default occurring prior to the time at which the relevant replenishment or designation is required under these Rules.

(k) In the event of the Clearing House applying any Guaranty Fund Contributions of non-defaulting Clearing Members, Clearing House Contributions or insurance proceeds and then receiving any amounts from the Defaulter as a result of its being a creditor of the Defaulter in the Defaulter's Insolvency or otherwise (net of the Clearing House's costs of recovery), the Clearing House will make payment to relevant Persons whose Guaranty Fund Contributions have been applied, retain assets in respect of Clearing House Contributions or repay the relevant insurer, as applicable, in the reverse order to that specified in Rule 908 (subject to Rule 1103(e)) and in the case of payments to Clearing Members (and Clearing House Contributions that are not Clearing House Initial Contributions) on a pro rata basis (subject to Rule 908(i)), up to the amount by which the relevant Guaranty Fund was reduced (excluding the Guaranty Fund Contribution of the Defaulter) but without counting for interest, the amount of Clearing House Contributions

that were applied or the amount of insurance proceeds that were applied, subject in either case to the Clearing House first: (i) retaining or repaying amounts up to the amount of any other assets of the Clearing House or other third parties applied to meet any shortfall or loss following exhaustion of the assets specified in Rule 908 or in substitution of any such assets; (ii) if applicable, making reimbursement payments to Persons that have made Assessment Contributions (in the reverse order to that specified in Rule 908), in accordance with Rule 909(j); and (iii) if applicable, meeting any repayment obligations arising pursuant to 909(j), 914(j) or 916(n).

(l) If an Event of Default occurs prior to the end of a Guaranty Fund Period where the total amount of Guaranty Fund Contributions or the Guaranty Fund Contribution of any particular Clearing Member would otherwise subsequently be reduced in the next Guaranty Fund Period, the Clearing House shall at its discretion be entitled to defer the end of the current Guaranty Fund Period and start of the next Guaranty Fund Period until the completion of default proceedings or retain all then held Guaranty Fund Contributions made to any potentially affected Guaranty Fund. In either such circumstance, the Clearing House shall not be obliged to make any repayment to Clearing Members in respect of Guaranty Fund Contributions to any such Guaranty Fund until and subject to completion of the relevant Default proceedings pursuant to Part 9 and this Part 11. For the avoidance of doubt: in such circumstances, the Clearing House shall nonetheless be entitled to make periodic adjustments to Guaranty Fund Contributions as otherwise set out in these Rules at its discretion; and this Rule 1102(l) is without prejudice to Rule 1102(m) and Rule 1102(n).

(m) If a Clearing Member's business changes in a material way, a Clearing Member's anticipated clearing volume of Contracts indicates a potential increase in risk to the Clearing House at any time during a Guaranty Fund Period or as otherwise required by the Finance Procedures, which determinations shall be made and conducted at the Clearing House's discretion, then the Clearing House may require the Clearing Member to increase the amount of its Guaranty Fund Contribution at the time specified by the Clearing House. Any such Guaranty Fund Contributions shall not result in any obligation on the Clearing House to repay any Guaranty Fund Contributions to other Clearing Members and the size of the relevant Guaranty Funds shall be increased accordingly until the end of the relevant Guaranty Fund Period.

**Rule 1103** ***Use of Guaranty Fund Contributions***

(a) Following an Event of Default, the Clearing House shall apply the Guaranty Fund Contribution of a Defaulter or its Sponsor only pursuant to Rules 906 and Rule 908. Otherwise, Guaranty Fund Contributions of a Clearing Member or proceeds thereof may be applied or used by the Clearing House at its discretion in any of the following manners to the extent of the relevant Clearing Member's Guaranty Fund Contribution:

(i) against any amount that becomes due to the Clearing House by that Clearing Member for any reason (including but not limited to Margin, amounts due pursuant to Contract Terms, fees, dues, assessments and fines);

(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 transferred to the Clearing House. Any amounts so borrowed shall be used and applied by the Clearing House solely for the purposes set out in Rule 1103(a); provided that the failure of the Clearing House to comply with

Rule 1103(a) in respect of any borrowings, facility or agreement shall not impair any of the rights or remedies of any transferee, assignee, mortgagee, pledgee, collateral taker or holder of any lien or security interest.

(c) Any expense (including, without limitation, legal fees and expenses) incurred by the Clearing House in connection with the use, application or transfer of Guaranty Fund Contributions, or the return of equivalent assets to a Clearing Member, may, at the option and discretion of the Clearing House, be charged to the account of such Clearing Member.

(d) A Clearing Member's entitlement to repayment of any Guaranty Fund Contribution or any part of it or interest thereon shall not be capable of assignment or transfer by the Clearing Member or being made subject to any Encumbrance whatsoever purporting to rank in priority over, *pari passu* with, or subsequent to, the rights of the Clearing House or in conflict with Rule 908. Any purported Encumbrance of a Clearing Member in respect of any Guaranty Fund Contribution shall be null and void.

(e) It being understood that the Clearing House shall not be obliged to obtain or keep in place or make any claim under any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in Rule 908, subject to the payment order specified in Rule 1102(k), any claims under default insurance policies of which the Clearing House is the beneficiary may be subject to limits on claims applicable in respect of particular time periods (each such period, a "**Relevant Period**"). Furthermore, pursuant to the terms of any such insurance obtained by the Clearing House, it is possible that (i) insurance claims may be payable in excess of losses resulting from a Default or Defaults above a certain amount ("**Loss Threshold**") occurring within a Relevant Period as opposed to following the application of particular assets in respect of particular Defaults in the order set out in Rule 908; or (ii) default insurance policies may apply only in relation to losses occurring in relation to certain Sets of Contracts cleared by the Clearing House or particular Guaranty Funds. Moreover, the Clearing House shall not be obliged to obtain or keep in place or make any claim under any default insurance policy or make, or receive the proceeds under, any claim prior to processing to the next levels of assets specified in Rule 908, subject to the payment order specified in Rule 1102(k). As a result, it is possible that:

(A) there may be a delay in any insurance proceeds being received, meaning that in practice other assets applicable under Rule 908 may be called prior to insurance proceeds being received, subject to Rule 1102(k);

(B) insurance receipts may be available to (and applied by) the Clearing House at an earlier order to that specified in Rule 908 if the total available Guaranty Fund Contributions exceed the Loss Threshold or in respect of a second or subsequent Default where the limit on claims for the Relevant Period has not been exhausted;

(C) no or reduced insurance may be available in the case of a second or subsequent Default occurring in a Relevant Period;

(D) proceeds of any claim under default insurance may need to be applied to meet losses across more than one Event of Default, if there is a First Defaulter and one or more Additional Defaulters in a Relevant Period;

(E) the insurance policies (if any) may not provide cover in respect of certain Events of Default; or

(F) there may be no default insurance either generally or in respect of any particular products cleared by the Clearing House.

If there is a First Defaulter and there are one or more Additional Defaulters during a Relevant Period, the proceeds of any claim under default insurance shall be applied as between the losses, shortfalls or liabilities relating to each Defaulter at the relevant point in the waterfall in Rule 908 on the following basis: (i) first, a Defaulter shall be excluded from any application of such assets if, prior to or after application of Clearing House Contributions, there is no further loss, liability or shortfall; (ii) secondly, such assets shall be applied to reduce the losses, shortfalls or liabilities relating to a Defaulter whose Event of Default was first in time to be declared by the Clearing House, provided that any Events of Default occurring on the same day shall be treated as occurring simultaneously for purposes of this Rules 1103(e); and (iii) where there are simultaneous Events of Default, such assets shall be applied so as to reduce the losses, shortfalls or liabilities relating to each Defaulter on a pro-rata basis, based on the total of all unsatisfied Default Amounts relating to each such Defaulter (after applying Clearing House Contributions).

The Clearing House will issue a Circular to Clearing Members specifying the amount of insurance, Loss Threshold, Relevant Period and any restrictions by Set of Contract or Guaranty Fund applicable to any default insurance obtained by the Clearing House. Neither this Rule 1103(e) nor any Circular issued by the Clearing House shall affect the liability of Clearing Members in respect of Guaranty Fund Contributions under these Rules.

(f) The Clearing House will notify Clearing Members from time to time, by Circular and in accordance with the Finance Procedures, of each of the Clearing House Contributions. The Clearing House undertakes to all non-defaulting Clearing Members from time to time to maintain amounts equal to the total of the Clearing House Contributions in a separate account from its other assets (other than Loss Assets) and to use such amounts only for the purposes of meeting shortfalls arising directly or indirectly from Defaults in accordance with Part 9 and this Part 11. This Rule 1103(f) shall not restrict the Clearing House from investing such amounts in any way that it is able to invest Guaranty Fund Contributions made by Clearing Members. Clearing House Contributions may be used by the Clearing House in the same way as Guaranty Fund Contributions may be used pursuant to Rule 1103(a).

(g) The total amount of Guaranty Fund Contributions for each Guaranty Fund and any Clearing House Contributions applied in connection with any Event of Default shall be notified to Clearing Members in a Circular prior to the same being applied.

## Part 12 Settlement Finality Regulations and Companies Act 1989

*Without prejudice to the status of any other provision of these Rules, including Part 9, the provisions of this Part 12 are intended to also constitute 'default rules' for purposes of the Companies Act 1989 and constitute "default procedures" for purposes of article 48 of EMIR, "default rules and procedures" for purposes of section 5b(c)(2)(G) of the CEA, "rules on the moment of entry and irrevocability" of a system as referred to in Article 22a of the Settlement Finality Directive, "default arrangements" for the purposes of the Settlement Finality Regulations and "default procedures" for purposes of SEC Rule 17Ad-22. These rules are intended to comply with provisions of the Settlement Finality Regulations in addition to other Applicable Laws. In addition to these Rules, the Clearing House relies on its legal rights under Applicable Laws in handling Events of Default, including under EMIR, FSMA, the Companies Act 1989, the Settlement Finality Directive, the Settlement Finality Regulations, the Financial Collateral Directive, the Financial Collateral Regulations, the U.S. Bankruptcy Code and the FSMR, as applicable.*

### Rule 1201 *Introduction and Interpretation*

(a) The Clearing House is the system operator of a Designated System for the purposes of the Settlement Finality Regulations in respect of Transfer Orders. In addition, Part VII of the Companies Act 1989 applies in respect of Contracts, the 'default rules' and 'default proceedings' of the Clearing House and certain other matters related to the Clearing House.

(b) Clearing Members and other Participants are subject to various obligations and requirements as a result of the Settlement Finality Regulations and Companies Act 1989. Clearing Members and other Participants must comply with, facilitate compliance by the Clearing House with, and comply with any action taken by the Clearing House pursuant to, the Settlement Finality Regulations or the Companies Act 1989. Furthermore, various modifications to Applicable Laws relating to Insolvency affecting Clearing Members and other Participants apply pursuant to the Settlement Finality Regulations and Companies Act 1989.

(c) Each Participant in the Designated System is on notice of the provisions of this Part 12. Each Participant shall, by participating in the Designated System, be deemed to have agreed that:

(i) (without prejudice to the generality of the provisions of any Clearing Membership Agreement), the provisions set out in this Part 12 apply to and shall bind such Participant (and to any Insolvency Practitioner appointed for, or with powers in respect of, it) in connection with such Participant's participation in the Designated System; and

(ii) (without prejudice to the generality of Rule 102(f)), to the extent that there is any conflict between any provision of this Part 12 and any provision of any agreement (including any AFI Agreement) or any contractual or non-contractual obligation which may arise or exist from to time between any Participant and the Clearing House, the relevant provision of this Part 12 shall prevail, control, govern and be

binding upon the parties (regardless of the date of entry into or amendment of any such agreement or obligation).

(d) The term "**AFI Agreement**" means a payment services agreement between the Clearing House and an Approved Financial Institution.

(e) The term "**Default Arrangements**" means the Rules and Procedures relating to, or that can be exercised upon, an Event of Default including, without limitation, all of Part 9 and Part 11 and this Part 12 of the Rules and Procedures relating thereto and any and all actions, omissions, powers and arrangements of the Clearing House pursuant to such Rules or Procedures.

(f) The term "**Designated System**" means the system operated by the Clearing House consisting of the formal arrangements, between the Clearing House and Participants including the common rules (including the Rules and the Procedures) and the standardised arrangements (including the AFI Agreements, Investment Agency Agreements, Clearing Membership Agreements, Sponsored Principal Clearing Agreements, Sponsor Agreements and other agreements involving the Clearing House, Clearing Members, Sponsored Principals, Sponsors, Approved Financial Institutions, Concentration Banks, Investment Agent Banks and Emissions Registries, provided that in the event of any conflict between any provision of the Rules or Procedures and any provision of any such agreement or arrangements, the provision of the Rules or Procedures shall prevail, control, govern and be binding on the parties) and related functionality for the effecting of Transfer Orders between the Clearing House and Participants which, *inter alia*:

(i) enable the Clearing House to give instructions and to place at the disposal of Clearing Members amounts of money on the account of Approved Financial Institutions;

(ii) enable Clearing Members to give instructions and to place at the disposal of the Clearing House amounts of money on the accounts of Approved Financial Institutions;

(iii) enables the Clearing House to give instructions and make transfers between its accounts at Approved Financial Institutions, Concentration Banks and Investment Agent Banks;

(iv) enables the Clearing House to give instructions and make transfers between Individually Segregated Margin-flow Co-mingled Accounts and between Segregated Gross Indirect Accounts by way of book entry through its own systems;

(v) enable the Clearing House and Clearing Members to fulfil the obligations they incur in respect of Contracts and otherwise to one another pursuant to the Rules;

(vi) enable transfers, assignments and novations of Contracts between Clearing Members or following a Default;

(vii) enable transfers of Non-Cash Collateral to or to the order of the Clearing House and Clearing Members;

(viii) enable Bilateral CDS Transactions and CDS Trade Particulars to give rise to CDS Contracts;

(ix) enable FX Trade Particulars to give rise to FX Contracts;

(x) enable F&O Block Transactions to give rise to Contracts;

(xi) facilitate physical settlement obligations under CDS Contracts and obligations for the delivery of Deliverables that are SFD Securities or Emission Allowances under F&O Contracts; and

(xii) facilitate supplementary and incidental matters to the satisfaction of obligations pursuant to Contracts and the collection and payment of amounts due in respect of Contracts or Permitted Cover.

(g) The term "**Indirect Participant**" means any Disclosed Principal Member or Customer, provided that: (i) it is an 'indirect participant', within the meaning of the Settlement Finality Regulations, in the Designated System; (ii) the identity of that Disclosed Principal Member or Customer has been notified to the Clearing House in writing by the Clearing Member; (iii) the Clearing House has accepted such notification and treatment as an indirect participant in writing (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, an Indirect Participant); and (iv) such Disclosed Principal Member or Customer has executed such agreement as is prescribed by the Clearing House from time to time in order for it to become contractually bound by these Rules and this Part 12 in particular.

(h) The term "**Intermediary Financial Institution**" means any bank or branch used by a System Bank, whether as banker, corresponding banker, intermediary or agent, for the fulfilment of a Payment Transfer Order, that is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, such a person).

(i) The term "**Investment Agent Bank**" means a bank used by the Clearing House for the deposit of cash prior to such cash being invested. An Investment Agent Bank may also be an Approved Financial Institution or Concentration Bank.

(j) The term "**Investment Agency Agreement**" means an agreement between an Investment Agent Bank and the Clearing House, including in respect of the deposit of cash prior to such cash being invested.

(k) The term "**Non-Cash Collateral**" means any Permitted Cover that is in the form of an SFD Security.

(l) The term "**Participant**" means the Clearing House, each Clearing Member, each Sponsored Principal, each Approved Financial Institution, each Concentration Bank, each

Investment Agent Bank, each Intermediary Financial Institution, each Custodian and each Emissions Registry, in the case of any such Person (other than the Clearing House) to the extent that it is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, a Participant).

(m) The term "**Payment Transfer Order**" means a payment transfer order (as defined in the Settlement Finality Regulations) that is a New Contract Payment Transfer Order, Credit/Debit Payment Transfer Order, ISOC Credit/Debit Payment Transfer Order, CH Account Payment Transfer Order or TARGET2 Payment Transfer Order subject to this Part 12.

(n) The term "**Securities Transfer Order**" means a securities transfer order (as defined in the Settlement Finality Regulations) that is a Position Transfer Order, Collateral Transfer Order, F&O Block Clearing Order, Transaction Clearing Order, CDS Physical Settlement Order, Security Derivative Delivery Order or Emission Allowance Delivery Order subject to this Part 12.

(o) The term "**SFD Custodian**" means any Custodian used by a Clearing Member or the Clearing House for the holding or transfer of Non-Cash Collateral that is subject of a Collateral Transfer Order provided that such person is a 'participant' (as defined in the Settlement Finality Regulations) in the Designated System (and this Part 12 shall apply equally to any Insolvency Practitioner appointed for, or with powers in respect of, such a person).

(p) The term "**SFD Security**" means a 'security', as defined in the Settlement Finality Regulations, but excluding any Emission Allowances.

(q) The term "**System Bank**" means an Approved Financial Institution, Concentration Bank or Investment Agent Bank.

(r) The term "**Transfer Order**" means a Payment Transfer Order or a Securities Transfer Order.

(s) The term "**TARGET2**" means the real-time gross settlement system owned and operated by the Eurosystem.

(t) The term "**TARGET2 Component System**" means the real-time gross settlement system of any Eurosystem central bank that forms part of TARGET2, or the real-time gross settlement system of a non-Eurosystem central bank connected to TARGET2 pursuant to a specific agreement, where the operator of any such system is a Concentration Bank.

(u) The term "**TARGET2 Concentration Bank**" means a Concentration Bank which is the operator of a TARGET2 Component System.

(v) The term "**TARGET2 PM Account**" refers to a cash account of the Clearing House in TARGET2 and has the same meaning as "PM account" set out in the applicable TARGET2

Terms and Conditions, where the Clearing House is the account holder and a TARGET2 Concentration Bank is the banker of that PM account.

(w) The term "**TARGET2 Terms and Conditions**" means the terms and conditions that apply in respect of participation in the relevant TARGET2 Component System.

(x) The term "**ICE Post Trade and Clearing Systems**" or the "**ICE Systems**" means the trade registration, clearing processing and finance hardware and software used by the Clearing House and Clearing Members from time to time, as further described in the Procedures.

(y) No transfer orders (as defined in the Settlement Finality Regulations) shall arise, enter the Designated System or become irrevocable under these Rules except as set out in this Part 12.

(z) The Clearing House and each Clearing Member with a Pledged Collateral Account that is a Participant in the Designated System acknowledge and agree that: (i) all forms of Permitted Cover provided as Pledged Collateral constitute "realisable assets"; and (ii) Pledged Collateral is provided under a "charge or a repurchase or similar agreement" which has been entered into "for the purpose of securing rights and obligations potentially arising in connection with a designated system", for purposes of the Settlement Finality Regulations. Accordingly, the Clearing House and each such Clearing Member that is a Participant in the Designated System intend and agree that: (a) Pledged Collateral constitutes both "collateral security" and "collateral security in connection with participation in a designated system" for purposes of the Settlement Finality Regulations; and (b) the Clearing Membership Agreement, any Sponsored Principal Clearing Agreement, any Sponsor Agreement, any Pledged Collateral Addendum, Rules and Contracts insofar applicable to Pledged Collateral constitute a "collateral security charge" in respect of the Pledged Collateral, for purposes of the Settlement Finality Regulations.

(aa) In relation to an Individually Segregated Sponsored Account, any reference to a Clearing Member in this Part 12 shall be interpreted as a reference to the Sponsored Principal, provided that where a Transfer Order applies to, is binding on or is irrevocable with respect to a Sponsored Principal, it shall also apply to, be binding on or be irrevocable with respect to the Sponsor.

**Rule 1202** ***Transfer Orders Arising***

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

(i) in relation to a Contract that forms in accordance with Rule 401(a) (excluding any F&O Contract arising under Rule 401(a)(vii)) at the time that a Contract arises under Rule 401 (such Payment Transfer Order, a "**New Contract Payment Transfer Order**");

(ii) the Clearing House sending an instruction for payment to or from the Clearing House pursuant to Rule 302, Rule 502 to Rule 503 and/or the Finance Procedures (such Payment Transfer Order, a "**Credit/Debit Payment Transfer Order**");

(iii) the Clearing House making an instruction for the transfer of an amount standing to the credit of one Individually Segregated Margin-flow Co-mingled Account to another Individually Segregated Margin-flow Co-mingled Account using the same position-keeping account or for the transfer of an amount standing to the credit of one Segregated Gross Indirect Account to another Segregated Gross Indirect Account using the same position-keeping account, pursuant to Rule 503(k) and the Finance Procedures (such Payment Transfer Order, an "**ISOC Credit/Debit Payment Transfer Order**");

(iv) the Clearing House sending an instruction by means of a SWIFT message, other electronic message, fax, telephone or other means to a System Bank (excluding a TARGET2 Concentration Bank) to transfer a sum of money from an account of the Clearing House at such System Bank (excluding a TARGET2 Concentration 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**"); or

(v) the moment the Clearing House's TARGET2 PM Account is debited with funds, or the Clearing House's TARGET2 PM Account is credited with funds, pursuant in either case to the Clearing House sending an instruction by means of a SWIFT message to the applicable TARGET2 Concentration Bank in compliance with the TARGET2 Terms and Conditions ("**TARGET2 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);

(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) 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, 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 providing a report to a Clearing Member after it has checked whether CDS Trade Particulars or FX Trade Particulars submitted for Clearing are consistent with the records submitted by another Clearing Member and, where applicable, with the records in Deriv/SERV or a Repository (such Securities Transfer Order, a "**Subsisting Transaction Clearing Order**");

(v) in respect of CDS Trade Particulars or FX Trade Particulars other than as referred to in (iv) above submitted for Clearing, the Clearing House issuing an Acceptance Notice or FX Acceptance Notice in accordance with Rule 401(a)(ix) or (xii) to a Clearing Member through the ICE Systems (such Securities Transfer Order, a "**New Transaction Clearing Order**" and, together with a Subsisting Transaction Clearing Order, "**Transaction Clearing Order**");

(vi) (A) the Clearing House being provided with a copy of a notice delivered by a Matched CDS Buyer to a Matched CDS Seller in a Matched Pair of a Notice of Physical Settlement in respect of Matched CDS Contracts, where the Notice of Physical Settlement specifies an instrument to be delivered that is an SFD Security; or (B) the Clearing House being provided with a copy of a notice delivered by a Matched CDS Buyer to a Matched CDS Seller in a Matched Pair of a NOPS Amendment Notice in respect of Matched CDS Contracts, where the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security but where the Notice of Physical Settlement (including, as amended by any previous NOPS Amendment Notice) had specified an instrument that is not an SFD Security as the instrument that was to be delivered (either such Securities Transfer Order, a "**CDS Physical Settlement Order**");

(vii) delivery of an SFD Security as a Deliverable is required following expiry of a relevant Future or following exercise of a relevant Financials & Softs Contract that is an Option (such Securities Transfer Order, a "**Security Derivative Delivery Order**");

(viii) delivery of one or more Emission Allowances as a Deliverable is required following expiry or completion of the running of an auction in respect of a relevant F&O Contract (such Securities Transfer Order, an "**Emission Allowance Delivery Order**").

(c) If two or more Transfer Orders exist in respect of the same obligation prior to becoming irrevocable, all such Transfer Orders shall be valid. No duplication of an obligation to pay shall arise as a result of two or more Transfer Orders existing in respect of the same obligation.

(d) The status of a Transfer Order shall not be affected by any calculation of Open Contract Position, netting, set off or closing out of a Contract to which it relates.

(e) Each Payment Transfer Order shall apply and have effect in respect of the following amounts:

(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, CH Account Payment Transfer Order or TARGET2 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, 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 TARGET2 Payment Transfer Order, the relevant TARGET2 Concentration Bank and the Clearing House;

(v) 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.

(vi) 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;

(vii) 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;

(viii) 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;

(ix) in the case of a CDS Physical Settlement Order:

(A) each Clearing Member in the Matched Pair; and

(B) the Clearing House;

(x) in the case of a Security Derivative Delivery Order:

(A) each Clearing Member that is party to a relevant Financials & Softs Contract under delivery;

(B) any SFD Custodian of the Clearing Member or the Clearing House; and

(C) the Clearing House;

(xi) in the case of an Emission Allowance Delivery Order:

(A) each Clearing Member that is party to a relevant F&O Contract under delivery;

(B) the Emissions Registry holding the account of the Clearing Member from or to which the delivery of the Emission Allowance will take place;

(C) the Emissions Registry holding the account of the Clearing House from or to which the delivery of the Emission Allowance will take place; and

(D) the Clearing House.

(n) Where a Transfer Order applies to a System Bank, it shall also apply to and be effective against any Intermediary Financial Institution used by that System Bank.

(o) Where a Transfer Order applies additionally to an Indirect Participant, the liability of any Participant pursuant to the same Transfer Order shall not be affected.

**Rule 1203** ***Transfer Orders Becoming Irrevocable***

(a) A Credit/Debit Payment Transfer Order shall become irrevocable at the time when the Approved Financial Institution sends a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that the relevant payment will be or has been made. An ISOC Credit/Debit Payment Transfer Order shall become irrevocable at the time when the Clearing House updates its records to reflect the transfer.

(b) A CH Account Payment Transfer Order shall become irrevocable at the time when the System Bank of the account from which payment is to be made sends a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that the relevant payment will be or has been made.

(c) A TARGET2 Payment Transfer Order shall become irrevocable at the earlier of: (i) the moment the Clearing House's TARGET2 PM Account is debited or the moment the Clearing House's TARGET2 PM Account is credited; or (ii) when or during the period in which any algorithm referred to in Appendix I of the TARGET2 Terms and Conditions commences or is running (if applicable).

(d) Without prejudice to Rule 1205(h) and Rule 1205(i), a New Contract Payment Transfer Order shall become irrevocable upon an Approved Financial Institution sending a SWIFT confirmation message, other electronic message, fax, telephone or other message confirming that amount to which the New Contract Payment Transfer Order relates (as specified in Rule 1202(e)(i)) will be or has been made.

(e) A Position Transfer Order shall become irrevocable at the time when the definitive record of the Open Contract Position of the Clearing Member (that is the assignee, transferee or person that assumes rights, liabilities and obligations pursuant to a novation) is updated as a result of a successful position transfer clearing run in the ICE Systems to reflect the transfer, assignment or novation of Contracts which are given effect pursuant to the Position Transfer Order.

(f) A Collateral Transfer Order shall become irrevocable at the earlier of the time when: (i) the Clearing House receives the Non-Cash Collateral; or (ii) any related securities transfer order (which relates to the same subject matter as the Collateral Transfer Order but which a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System) becomes irrevocable.

(g) An F&O Block Clearing Order shall become irrevocable at the time that the Clearing House becomes party to resulting Contracts with the Clearing Members in question, pursuant to Rule 401(a)(iii).

(h) A Transaction Clearing Order shall become irrevocable, for CDS when the time specified pursuant to the CDS Procedures occurs for the acceptance of the resulting CDS Contracts in question or for FX when the time specified pursuant to the FX Procedures occurs for the acceptance of the resulting FX Contracts in question, pursuant to Rule 401(a)(xii).

(i) A CDS Physical Settlement Order shall become irrevocable at the earliest of: (i) the time when the Matched CDS Buyer in the Matched Pair has submitted irrevocable instructions to a Custodian for the transfer of securities to or to the account of the Matched CDS Seller; (ii) the time at which the instrument subject to physical settlement is delivered or assigned or at which physical settlement obligations are otherwise discharged; or (iii) if the Matched CDS Buyer or Matched CDS Seller has (in the absence of any Matching Reversal Notice or not later than one Business Day after any Matching Reversal Notice) given notice to the Clearing House in accordance with Rule 1511 or the CDS Procedures (as applicable) that the relevant Matched Pair have settled the relevant Matched CDS Contracts, at the time of such notice.

(j) A Security Derivative Delivery Order shall become irrevocable at the earlier of the time when: (i) the Clearing House (or a Clearing Member that is due to receive delivery directly from another Clearing Member under Part 7) receives the SFD Security into its account; or (ii) any related securities transfer order (which relates to the same subject matter as the Security Derivative Delivery Order but which is a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System) becomes irrevocable within that other designated system.

(k) An Emission Allowance Delivery Order shall become irrevocable at the earlier of the time when: (i) the Clearing House or Clearing Member (whichever is due to receive delivery pursuant to the F&O Contract in question) receives all the Emission Allowances that are subject to the Emission Allowance Delivery Order into its account at the Emissions Registry; or (ii) any related order (which relates to the same subject matter as the Emission Allowance Delivery Order but which is either (A) a securities transfer order in a designated system for purposes of Directive 98/26/EC which is not the Designated System or (B) an order or transaction arising pursuant to the rules or terms of a relevant Emissions Registry) becomes irrevocable within that other designated system or Emissions Registry.

(l) As from the time when a Transfer Order becomes irrevocable, it shall not be revoked or purported to be revoked by any Participant or the Clearing House and shall be binding upon all Participants.

(m) Transfer Orders shall be legally enforceable, irrevocable and binding on parties in accordance with this Part 12 including on the occurrence of an Event of Default.

**Rule 1204** ***Variations to or Cancellation of Transfer Orders***

(a) This Rule 1204 applies only to a Transfer Order that is not irrevocable and:

(i) in the case of any Transfer Order, it is affected by manifest or proven error or an error that is agreed so to be by all affected Participants;

(ii) in the case of a New Contract Payment Transfer Order, Credit/Debit Payment Transfer Order, ISOC Credit/Debit Payment Transfer Order, Position Transfer Order, Security Derivative Delivery Order or Emission Allowance Delivery Order, it relates to a Contract which is (or a Transaction or CDS Trade Particulars which, if accepted, would be):

(A) void *ab initio* pursuant to Rule 403;

(B) avoided pursuant to Rule 404; or

(C) amended as a result of the Clearing House exercising its discretion pursuant to Rule 104 or otherwise pursuant to these Rules; or

(iii) without prejudice to the generality of Rule 1204(a)(i), in the case of a Subsisting Transaction Clearing Order, if an error or omission is noted by or notified to the Clearing House prior to the Acceptance Time or the data in the CDS Trade Particulars or FX Trade Particulars to which the Subsisting Transaction Clearing Order relates is otherwise capable of being amended in accordance with the CDS Procedures or FX Procedures (as applicable);

(iv) in the case of a CDS Physical Settlement Order, if a NOPS Amendment Notice is validly delivered by the Matched CDS Buyer in accordance with Rule 1505 and Rule 1509; or

(v) without prejudice to the generality of Rule 1204(a)(i), (ii) or (iii), in the case of an F&O Block Clearing Order or Transaction Clearing Order, it relates to a Transaction which is, or CDS Trade Particulars which are, not eligible for Clearing or which is or are not accepted for Clearing by the Clearing House.

(b) Subject to Rule 1204(d), (e), (f) and (g), neither the validity nor the irrevocability of any Transfer Order shall of itself be affected by any event described in Rule 1204(a) occurring.

(c) The terms of all Transfer Orders that have not become irrevocable shall each be subject to a condition (which, if not satisfied, shall enable the Clearing House to exercise its rights under this Rule 1204) that the circumstances described in Rule 1204(a) have not occurred.

(d) If any of the circumstances described in Rule 1204(a) has occurred, the amount payable, Contracts to be transferred or to arise or SFD Securities, Emission Allowances or Non-Cash Collateral to be delivered pursuant to the affected Transfer Order may at the discretion of the Clearing House be increased, decreased or otherwise varied, as necessary, to reflect the payments, transfers, Contracts, assignments, novations, SFD Securities, Emission Allowances, Non-Cash Collateral or deliveries that would have been required:

(i) in the case of Rule 1204(a)(i) applying, had there been no error;

(ii) in the case of Rule 1204(a)(ii)(A), Rule 1204(a)(ii)(B) or Rule 1204(a)(v) applying, had no Contract, Transaction or CDS Trade Particulars ever arisen, occurred or been submitted;

(iii) in the case of Rule 1204(a)(ii)(C) applying, had the Contract always been subject to such amended terms as are agreed or determined;

(iv) in the case of Rule 1204(a)(iii) applying, had the details of the CDS Trade Particulars always been corrected or amended as permitted in accordance with the CDS Procedures; or

(v) in the case of Rule 1204(a)(iv) applying and the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security, had the Notice of Physical Settlement been originally issued as amended pursuant to the NOPS Amendment Notice

(any such variation, a "Transfer Order Variation").

(e) A Transfer Order Variation may be effected only by the Clearing House delivering a notice of amendment of an existing Transfer Order to all affected Participants. Valid delivery of a NOPS Amendment Notice in accordance with Rules 1505 and 1509 by a Matched CDS Buyer in a Matched Pair shall be deemed to constitute notice by the Clearing House for purposes of this Rule 1204(e) in respect of a Transfer Order Variation to a CDS Physical Settlement Order, if the NOPS Amendment Notice specifies an instrument to be delivered that is an SFD Security.

(f) If any of the circumstances described in Rule 1204(a) has occurred, the Transfer Order in question may at the discretion of the Clearing House alternatively be cancelled. Any such cancellation may be effected by the Clearing House serving a notice of cancellation on all affected Participants. In respect of an F&O Block Clearing Order or Transaction Clearing Order, such notice shall be deemed to have been given if the Clearing House (or, in the case of an F&O Block Clearing Order, any Market) rejects a Transaction or CDS Trade Particulars for Clearing.

(g) A CDS Physical Settlement Order shall be cancelled immediately and automatically if and when a copy is provided to the Clearing House of a validly delivered NOPS Amendment Notice specifying an instrument for delivery which is not an SFD Security.

(h) A Security Derivative Delivery Order shall be cancelled immediately and automatically if, prior to it becoming irrevocable, the issuer of the SFD Security that is the Deliverable becomes subject to an Insolvency, redeems all its SFD Securities of a kind which would have been the Deliverables for the delivery or another event occurs under which delivery obligations are substituted for cash settlement obligations under the Contract Terms.

(i) An Emission Allowance Delivery Order shall be cancelled immediately and automatically if, prior to it becoming irrevocable, an Emissions Registry that is used by the Clearing House or the Clearing Member becomes subject to an Insolvency or otherwise permanently ceases operations.

(j) This Rule 1204 does not affect the ability of the Clearing House to take steps giving rise to a new Transfer Order of opposite effect to an existing Transfer Order or part thereof if any of the events described in Rule 1204(a) occur. No Transfer Order Variation shall preclude the cancellation of a Transfer Order in any circumstances in which a Transfer Order may alternatively be cancelled by the Clearing House. The ability of the Clearing House to

cancel or vary a Transfer Order shall not preclude a Transfer Order Variation from taking effect.

**Rule 1205** ***Termination of Transfer Orders***

(a) Each Payment Transfer Order shall be satisfied immediately and automatically upon all payments required pursuant to the Payment Transfer Order being received in cleared funds or full satisfaction of the relevant underlying obligations is otherwise made and recorded in the Clearing House's systems, in either case not subject to any Encumbrances (except as envisaged under a Pledged Collateral Addendum).

(b) Each Position Transfer Order shall be satisfied immediately and automatically at the same time that it becomes irrevocable under Rule 1203(d) (whereupon all Contracts to which the Transfer Order in question relates will have been transferred, assigned or novated pursuant to the Rules).

(c) Each Collateral Transfer Order shall be satisfied immediately and automatically at the later of the time when: (i) the Clearing House receives the Non-Cash Collateral in its account; or (ii) the definitive record of the Permitted Cover transferred by the Clearing Member that is the transferor is updated in the ICE Systems to reflect the successful transfer of Non-Cash Collateral to or to the order of the Clearing House pursuant to the Collateral Transfer Order.

(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.

**Rule 1207** ***Notice to the Bank of England***

(a) Any notice which under Rule 204(a)(viii) must be copied to the Bank of England, shall be sent to the following addresses:

(b) Bank of England:

The Senior Manager, Payment Systems Oversight
Financial Resilience Division, HO-3
Bank of England
Threadneedle Street
London EC2R 8AH
Fax: 020 7601 3217

(c) Any such notice will only be effectively served, filed, made or provided and delivered to the Bank of England:

(i) if sent by post, on the fifth Business Day (or tenth Business Day in the case of airmail) after the day on which it was deposited in the post, full postage prepaid, in a correctly addressed envelope;

(ii) if delivered in person to the officer or department specified, at the time of delivery or, if not delivered during business hours on a Business Day, on the following Business Day.

(d) Any notice by fax shall not be effective until hard copy confirmation is served pursuant to Rule 1207(c).

**Rule 1208** ***Settlement Finality under Abu Dhabi Global Market Laws***

Clearing Members and other Participants acknowledge that various modifications to Applicable Laws in the Abu Dhabi Global Market relating to Insolvency, which may affect Clearing Members, the Clearing House and other Participants, apply pursuant to the FSMR. Clearing Members and other Participants are hereby given notice that such modifications apply in relation to a broader range of circumstances than those defined in this Part 12, for example as regards the settlement and delivery of any product or security that is subject of a Contract or Customer-CM Transaction following expiry or close-out of the Contract or Customer-CM Transaction pursuant to these Rules. As a result, and for example, the FSMR confers settlement finality protections as a matter of the laws of the Abu Dhabi Global Market not merely as regards delivery of an SFD Security that is a Deliverable pursuant to a Security Derivative Delivery Order, but in respect of the delivery of all Deliverables pursuant to Contracts or Customer-CM Transactions upon expiry or close-out of such Contracts or Customer-CM Transactions.

**Part 13** [Not used]

**Part 14** Transition Rules for ICE Energy Markets in 2008 [No longer applicable: available on 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) 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) The term "**Component Transaction**", in relation to any CDS Contract, has the meaning given to that term in the relevant Contract Terms.

(k) The term "**Deemed Discharge**" has the meaning set out in Rule 1519.

(l) The term "**Defaulter Close-Out**" has the meaning set out in Rule 1519.

(m) 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) 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) 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) The term "**Failed Amount**" has the meaning given to that term in Rule 1512.

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

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

(gg) 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) 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) 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) 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) 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) 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) Where the CDS Clearing Member is a Non-FCM/BD CDS Clearing Member, unless the CDS Contract is recorded in an Individually Segregated Sponsored Account, such record will represent two contracts:

(1) a CDS Contract between the Clearing House and such Non-FCM/BD CDS Clearing Member; and

(2) a Customer-CM CDS Transaction between such Non-FCM/BD CDS Clearing Member and such Customer,

and where such record identifies such Customer as a protection buyer, the Non-FCM/BD CDS Clearing Member will be a CDS Buyer in respect of the CDS Contract and a protection seller in respect of the Customer-CM CDS Transaction; and where such record identifies such Customer as a protection seller, such Non-FCM/BD CDS Clearing Member will be a CDS Seller in respect of the CDS Contract and a protection buyer in respect of 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.

(ii) Where the CDS Contract is recorded in a Proprietary Account (excluding any Individually Segregated Sponsored Account), the record will have two entries and identify the Clearing House and the CDS Clearing Member in the same manner as set out under Rule 1501(kk)(i)(A) and will in addition identify the CDS Clearing Member where, under Rule 1501(kk)(i)(A), it would have identified the Customer, identifying whether the CDS Clearing Member is a protection buyer (in which case the CDS Clearing Member will be a CDS Buyer in respect of the CDS Contract) or a protection seller (in which case the CDS Clearing Member will be a CDS Seller in respect of the CDS contract).

(iii) Where the CDS Contract is recorded in an Individually Segregated Sponsored Account and the Sponsor is a Non-FCM/BD Clearing Member:

(A) The record will identify three entities, namely the Clearing House, the Sponsor and the Sponsored Principal and will identify whether the Sponsored Principal is a protection buyer or a protection seller.

(B) Such record will represent the rights and liabilities of the parties in respect of a CDS Contract recorded in an Individually Segregated Sponsored Account as set forth in Part 19 and the Sponsored Principal will be a CDS Buyer if such record identifies it as a protection buyer and a CDS Seller if such record identifies such Sponsored Principal 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) 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) 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) 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) 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) 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.

(b) No CDS Contract arising pursuant to the Clearing of CDS Trade Particulars in respect of a Bilateral CDS Transaction already recorded in Deriv/SERV shall contain any rights or obligations in respect of any Initial Payment. If any CDS Trade Particulars submitted for Clearing relate to a Bilateral CDS Transaction which includes any binding obligation for payment or performance falling due before a CDS Contract arises pursuant to Rule 401(a)(ix), the obligation for such payment or performance shall remain a direct obligation of the relevant CDS Buyer or CDS Seller (as applicable) to the other party to the relevant Bilateral CDS Transaction. The Clearing House shall have no obligation to make or guarantee any Initial Payment in respect of a Bilateral CDS Transaction or any CDS Trade Particulars (but this shall not affect the Clearing House's obligations under CDS Contracts, including any obligation to make an Initial Payment under a CDS Contract in accordance with the Contract Terms) or to make or guarantee any payment or performance reflecting any payment or performance in respect of a Bilateral CDS Transaction or any

CDS Trade Particulars falling due for payment or performance before a CDS Contract arises pursuant to Rule 401(a)(ix). For the avoidance of doubt: (i) each CDS Contract arising from the submission for Clearing of CDS Trade Particulars for which no Bilateral CDS Transaction is already recorded in Deriv/SERV will include an obligation to pay an Initial Payment constituting a payment obligation of the relevant party thereto reflecting the Initial Payment, if any, reflected in the CDS Trade Particulars submitted for Clearing; and (ii) CDS Contracts arising in other circumstances (other than pursuant to Clearing of CDS Trade Particulars in respect of a Bilateral CDS Transaction already recorded in Deriv/SERV, but including, without limitation, CDS Contracts arising pursuant to Rule 401(a)(vi), (ix), (x) or (xi)) may include an obligation to pay an Initial Payment constituting a payment obligation of the relevant party thereto.

**Rule 1503** ***Prospectus Directive***

(a) The Clearing House has not authorised, nor does it authorise, the making of any Offer to the Public by any Person of any PD Contract in circumstances in which: (i) an obligation arises for the Clearing House to publish or supplement a prospectus for any such offer; (ii) an obligation arises for the Clearing House to make any other public disclosure or filing required under the Prospectus Directive; or (iii) a "home member state" is determined in respect of the Clearing House for purposes of article 2(1)(m) of the Prospectus Directive. Accordingly, Clearing Members shall not make any such Offer to the Public in relation to PD Contracts.

(b) Without prejudice to the generality of Rule 1503(a), no Clearing Member shall enter into a PD Contract:

(i) with the Clearing House;

(ii) with another Clearing Member or Sponsored Principal pursuant to CADP; or

(iii) with any of its Customers on a back-to-back or agency basis with a contract falling under (i) or (ii),

unless one or more of the following conditions is satisfied:

(A) in the case of any PD Contract to which the Clearing House is a party, the Clearing Member is a "qualified investor" (as defined in article 2(1)(e) of the Prospectus Directive);

(B) in the case of any PD Contract relating to a Customer, the Clearing Member and its Customer are both "qualified investors" (as defined in article 2(1)(e) of the Prospectus Directive);

(C) the minimum total consideration is at least:

(1) €50,000, in relation to any Offer to the Public made in a Relevant Member State that has not implemented the 2010 PD Amending Directive; or

(2) €100,000, in relation to any Offer to the Public made in a Relevant Member State that has implemented the 2010 PD Amending Directive; or

(D) the requirement to publish or supplement a prospectus under the Prospectus Directive otherwise does not apply.

(c) Notwithstanding any other provision of these Rules, no Clearing Member shall be declared subject to an Event of Default or have its membership terminated or suspended under Rules 208 or 209 for breach of any provision of this Rule 1503 unless:

(i) a Governmental Authority has determined or published a determination, rule or guidance to the effect that any CDS is or may be characterised as a Security, in which case any breach of this Rule 1503 following such determination or publication shall be actionable as an Event of Default and constitute grounds for termination or suspension of membership under Rules 208 or 209; or

(ii) the Clearing House has suffered a loss or is subject to any investigation or proceeding by a Governmental Authority in relation to the Prospectus Directive caused by the Clearing Member's breach of this Rule 1503.

(d) Neither Rule 1501(aa) nor this Rule 1503 constitutes any agreement, admission or acknowledgement on the part of any Customer, Clearing Member or the Clearing House that any CDS is or could be characterised as a Security. Rule 1501(aa) and this Rule 1503 are without prejudice to any right of any Customer, Clearing Member or the Clearing House to assert, argue or provide evidence that any CDS is not a Security in any arbitration, disciplinary or other legal proceedings or to any Governmental Authority or to publish any view that the Prospectus Directive does or does not apply in relation to any such contract.

**Rule 1504** ***Separate treatment of CDS Contracts for Proprietary Account and Customer Account***

Further to Rule 102(q), CDS Contracts (and consequently Open Contract Positions including any Restructuring CDS Contracts, Matched CDS Contracts and Triggered Restructuring CDS Contract Portions) will be separately subject to the application of these Rules in respect of the following accounts of a CDS Clearing Member: each of its Proprietary Accounts, each of its Customer Accounts, and each Individually Segregated Sponsored Account for which it acts as Sponsor, in either case in which CDS Contracts of the relevant Set are recorded (if any).

**Rule 1505** ***Credit Event Notices, Notices of Physical Settlement, NOPS Amendment Notices, Notices to Exercise Movement Option and Asset Package Delivery Notice***

(a) None of the Clearing House, any CDS Clearing Member or any Customer will be entitled to deliver a Credit Event Notice under a CDS Contract or any Customer-CM CDS Transaction, as the case may be, in relation to any Applicable Credit Event other than a Relevant Restructuring Credit Event.

(b) None of the Clearing House, any CDS Clearing Member or any Customer will deliver any of the following notices in respect of any CDS Contract or any Customer-CM CDS Transaction (as the case may be) unless and until the Clearing House has (or, pursuant to Rule 1507 or Rule 1508, should have) notified CDS Buyers and CDS Sellers of their Matched Pairs and associated MP Amounts and any such notices delivered before that time shall be void and of no effect:

(i) a Notice of Physical Settlement, NOPS Amendment Notice or, where applicable, Asset Package Delivery Notice in respect of a CDS Contract of a Set (or any related Customer-CM CDS Transaction) in respect of which an Applicable Credit Event other than a Relevant Restructuring Credit Event has occurred; or

(ii) a Credit Event Notice, Notice of Physical Settlement, NOPS Amendment Notice or, where applicable, Asset Package Delivery Notice or Notice to Exercise Movement Option in respect of a CDS Contract of a Set (or any related Customer-CM CDS Transaction) in respect of which a Relevant Restructuring Credit Event has occurred.

(c) If a CDS Clearing Member delivers (or, by virtue of a Customer delivering a Credit Event Notice in respect of a CDS Contract recorded in the Tripartite Representation, is deemed to have delivered) a Credit Event Notice, Notice to Exercise Movement Option, Notice of Physical Settlement or NOPS Amendment Notice in relation to a Matched CDS Contract in respect of a Floating Rate Payer Calculation Amount exceeding the MP Amount in respect of which it is matched in the relevant Matched Pair then such notice will be effective only in respect of a Floating Rate Payer Calculation Amount equal to the relevant MP Amount. This requirement will apply separately in relation to each Matched Pair in respect of which the CDS Clearing Member is matched.

(d) Nothing in this Rule 1505 shall restrict or prevent any deemed delivery of a Credit Event Notice pursuant to the CDS Procedures or Contract Terms.

(e) Any purported delivery of a Notice to Exercise Movement Option outside the NEMO Triggering Period shall not amount to valid delivery of that notice and shall be disregarded by the Clearing House and Clearing Members in relation to any CDS Contracts and any related Customer-CM CDS Transactions.

**Rule 1506** ***Auction Settlement and Physical Settlement***

Auction Settlement will be specified as the Settlement Method and "Physical Settlement" will be specified as the Fallback Settlement Method for all CDS Contracts.

**Rule 1507** ***Physical Settlement Allocation of Buyers and Sellers: Applicable Credit Events other than Restructuring***

(a) Following the occurrence of a DC Credit Event Announcement relating to an Applicable Credit Event other than a Relevant Restructuring Credit Event in respect of a CDS Contract, the Clearing House will be obliged, where the Fallback Settlement Method

applies to the CDS Contract, to carry out the steps in Rule 1507(b) in accordance with the CDS Procedures.

(b) If Rule 1507(a) applies:

(i) the Clearing House shall match each CDS Seller in respect of a CDS Contract of the relevant Set with one or more CDS Buyers under CDS Contract(s) of the same Set in accordance with the CDS Procedures (such CDS Contracts thereby becoming Matched CDS Contracts and each matched CDS Seller and CDS Buyer becoming a Matched Pair), such that the Floating Rate Payer Calculation Amount related to each CDS Seller under each Matched CDS Seller Contract is fully allocated to one or more CDS Buyers under Matched CDS Buyer Contracts of the same Set as such Matched CDS Seller Contract; and

(ii) the Clearing House will, in accordance with the CDS Procedures, notify each CDS Buyer and CDS Seller of the details of the Matched CDS Contracts, Matched CDS Buyer and Matched CDS Seller (such notice, for purposes of this Rule 1507, the "**Matched Pair Notice**") and the associated MP Amount.

(c) If the Clearing House has delivered a Matched Pair Notice that specifies a MP Amount that is less than the outstanding Floating Rate Payer Calculation Amount applicable to a Matched CDS Contract to which such Matched Pair Notice relates, the relevant rights and obligations of the Clearing House and the Matched CDS Buyer or Matched CDS Seller pursuant to the Matched CDS Contract shall, with effect from the date such Matched Pair Notice is effective, be construed as if the Clearing House and such Matched CDS Buyer or Matched CDS Seller had entered into two CDS Contracts, one of which has a Floating Rate Payer Calculation Amount equal to the MP 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 delivery of such Matched Pair Notice minus the MP Amount. Where this paragraph applies to a Matched CDS Contract recorded in a Customer Account of a Non-FCM/BD CDS Clearing Member, the related Customer-CM CDS Transaction will be treated as identically separated and as two Customer-CM CDS Transactions.

(d) The provisions of this Rule 1507 are subject to Rule 1515.

**Rule 1508** ***Settlement Allocation of Buyers and Sellers: Relevant Restructuring Credit Event***

(a) Following the occurrence of a Restructuring Credit Event Announcement, in accordance with the CDS Procedures:

(i) the Clearing House will match each CDS Seller with one or more CDS Buyers each of which is party to a Restructuring CDS Contract of the same Set in accordance with the CDS Procedures (such Restructuring CDS Contracts thereby becoming Matched CDS Contracts and each matched CDS Seller and CDS Buyer becoming a Matched Pair), such that the Floating Rate Payer Calculation Amount related to each Matched CDS Seller under each Matched CDS Contract is fully allocated to

one or more CDS Buyers under Matched CDS Contracts of the same Set as such Matched CDS Seller Contract; and

(ii) the Clearing House will notify each CDS Buyer and CDS Seller of the Matched CDS Contracts, Matched CDS Buyer and Matched CDS Seller (such notice, for purposes of this Rule 1508, the "**Matched Pair Notice**") and the associated MP Amount (but the Clearing House shall not be obliged to provide any Matched Pair Notice to any Customer).

(b) If the Clearing House has delivered a Matched Pair Notice that specifies a MP Amount that is less that the outstanding Floating Rate Payer Calculation Amount applicable to a Matched CDS Contract to which such Matched Pair Notice relates, the relevant rights and obligations of the Clearing House and the relevant Matched CDS Buyer or Matched CDS Seller pursuant to the Matched CDS Contract shall, with effect from the date such Matched Pair Notice is effective, be construed as if the Clearing House has entered into two Restructuring CDS Contracts, one of which has a Floating Rate Payer Calculation Amount equal to the MP 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 delivery of such Matched Pair Notice minus the MP Amount. Where this paragraph applies to a Matched CDS Contract recorded in a Customer Account of a Non-FCM/BD CDS Clearing Member, the related Customer-CM CDS Transaction will be treated as identically separated into two Customer-CM CDS Transactions.

(c) The provisions of this Rule 1508 are subject to Rule 1515.

**Rule 1509** ***Matched Pairs: Designations and Notices***

(a) In respect of each Matched CDS Buyer Contract and each Matched CDS Seller Contract which is the subject of a Matched Pair, Restructuring Credit Event Notices and Notices to Exercise Movement Option shall, save in the limited circumstances provided for in the CDS Procedures when the Manual Notice Process applies, be given in accordance with the Electronic Notice Process and will have the effect set out in that process.

(b) For the purposes of the Manual Notice Process, in respect of each Matched CDS Buyer Contract which is the subject of a Matched Pair, the Clearing House, pursuant to Section 9.2(c)(iv) of the 2003 Credit Derivatives Definitions or Section 11.2(c)(iv) of the 2014 Credit Derivatives Definitions, as applicable (each of which is amended for these purposes in the CDS Procedures), as designator, shall be deemed to have designated the Matched CDS Seller in such Matched Pair as its designee:

(i) to receive on its behalf from the Matched CDS Buyer in the Matched Pair:

(A) Notices of Physical Settlement (and any NOPS Amendment Notices or in Asset Package Delivery Notice), in each case, that are Manual MP Notices in relation to any CDS Contract in respect of which a DC Credit Event Announcement has been made in respect of an Applicable Credit Event other than a Relevant Restructuring Credit Event;

(B) Restructuring Credit Event Notices, Notices of Physical Settlement (and any NOPS Amendment Notices or Asset Package Delivery Notice) and, where applicable, Notices to Exercise Movement Option, in each case, that are Manual MP Notices in relation to any Restructuring CDS Contract or Triggered Restructuring CDS Contract Portion, as the case may be; and

(C) any Settlement Notices.

(ii) to deliver on its behalf to the Matched CDS Buyer in the Matched Pair Restructuring Credit Event Notices and, where applicable, Notices to Exercise Movement Option, in each case, that are Manual MP Notices in relation to any Restructuring CDS Contract or Triggered Restructuring CDS Contract Portion, as the case may be, and any Settlement Notices; other than in respect of the Physical Settlement Amount relating to the settlement of Non DVP Obligations as referred to in Rule 1510, to pay, on behalf of the Clearing House, the applicable Physical Settlement Amount in respect of any Matched CDS Contract to be settled in accordance with the Fallback Settlement Method to the Matched CDS Buyer in the Matched Pair;

(iii) to pay to the Matched CDS Buyer in the Matched Pair and receive from the Matched CDS Buyer in the Matched Pair, in either case on behalf of the Clearing House, any amounts in respect of the costs and expenses of settlement due under the Matched CDS Buyer Contract; and

(iv) to take Delivery, on behalf of the Clearing House, of Deliverable Obligations from the Matched CDS Buyer in the Matched Pair,

and each Matched CDS Seller is hereby notified of the same accordingly. The Matched CDS Seller shall assume such obligations as designee upon notification of any Matched Pair.

(c) For the purposes of the Manual Notice Process, in respect of each Matched CDS Seller Contract which is the subject of a Matched Pair, the Clearing House, pursuant to Section 9.2(c)(iv) of the 2003 Credit Derivatives Definitions or Section 11.2(c)(iv) of the 2014 Credit Derivatives Definitions, as applicable (each of which is amended for these purposes in the CDS Procedures), as designator, shall be deemed to have designated the Matched CDS Buyer in such Matched Pair as its designee:

(i) to deliver on its behalf to the Matched CDS Seller in the Matched Pair:

(A) Notices of Physical Settlement (and any NOPS Amendment Notices or Asset Package Delivery Notice), in each case, that are Manual MP Notices in relation to any CDS Contract in respect of which a DC Credit Event Announcement has been made in respect of an Applicable Credit Event other than a Relevant Restructuring Credit Event;

(B) Restructuring Credit Event Notices, Notices of Physical Settlement (and any NOPS Amendment Notices or Asset Package Delivery Notice) and,

where applicable, Notices to Exercise Movement Option, in each case, that are Manual MP Notices in relation to any Restructuring CDS Contract or Triggered Restructuring CDS Contract Portion, as the case may be; and

(C) any Settlement Notices.

(ii) to receive on its behalf from the Matched CDS Seller in the Matched Pair Restructuring Credit Event Notices and, where applicable, Notices to Exercise Movement Option, in each case, that are Manual MP Notices in relation to any Restructuring CDS Contract or Triggered Restructuring CDS Contract Portion, as the case may be, and any Settlement Notices;

(iii) other than in respect of the Physical Settlement Amount relating to the settlement of Non DVP Obligations as referred to in Rule 1510, to receive payment, on behalf of the Clearing House, of the applicable Physical Settlement Amount from the Matched CDS Seller in the Matched Pair;

(iv) to pay to the Matched CDS Seller in the Matched Pair and receive from the Matched CDS Seller in the Matched Pair, in either case on behalf of the Clearing House, any amounts in respect of the costs and expenses of settlement due under the Matched CDS Seller Contract; and

(v) to Deliver, on behalf of the Clearing House, the relevant Deliverable Obligations to the Matched CDS Seller in the Matched Pair,

and each Matched CDS Buyer is hereby notified of the same accordingly. The Matched CDS Buyer shall assume such obligations as designee upon notification of any Matched Pair.

(d) With respect to any rights exercised as a result of or pursuant to the delivery of Manual MP Notices or Settlement Notices, in relation to each Matched Pair:

(i) the exercise of any rights by the Matched CDS Buyer against the Clearing House under a Matched CDS Buyer Contract shall be deemed to constitute the exercise of equal and simultaneous rights by the Clearing House against the Matched CDS Seller under the Matched CDS Seller Contract in the relevant Matched Pair;

(ii) the exercise of any rights of the Matched CDS Seller against the Clearing House under a Matched CDS Seller Contract shall be deemed to constitute the exercise of equal and simultaneous rights by the Clearing House against the Matched CDS Buyer under the Matched CDS Buyer Contract in the relevant Matched Pair;

(iii) where the Matched CDS Buyer validly delivers or serves any Manual MP Notice or Settlement Notice to or on the Matched CDS Seller in accordance with the Contract Terms and Rule 1509(c), such Manual MP Notice or Settlement Notice shall be effective with respect to both the Matched CDS Buyer Contract and the Matched CDS Seller Contract; and

(iv) where the Matched CDS Seller validly delivers or serves any Manual MP Notice or any Settlement Notices to or on the Matched CDS Buyer in accordance with the Contract Terms and Rule 1509(b), such Manual MP Notice or Settlement Notice shall be effective with respect to both the Matched CDS Buyer Contract and the Matched CDS Seller Contract.

(e) Following delivery by a Matched CDS Buyer or Matched CDS Seller of any Manual MP Notice or Settlement Notice, the Matched CDS Buyer or Matched CDS Seller that delivered such Manual MP Notice or Settlement Notice shall, at the times and in the circumstances specified in the CDS Procedures, deliver a written copy of such Manual MP Notice or Settlement Notice to the Clearing House, in the case of Manual MP Notices in accordance with the CDS Procedures. Where required by the CDS Procedures, the Clearing House will provide a copy of the copy of each Manual MP Notice so received by it to both the Matched CDS Buyer and Matched CDS Seller in each Matched Pair under which a Manual MP Notice has been served or appears to have been served, in accordance with the CDS Procedures.

(f) Any Matched CDS Buyer or Matched CDS Seller in a Matched Pair which disputes any MP Notice or Settlement Notice, or which considers that an MP Notice or Settlement Notice additional to those copied to it by the Clearing House has been served, must inform the Clearing House, in the case of MP Notices in accordance with the CDS Procedures. Unless the Clearing House receives any notice disputing an MP Notice, the Clearing House will update its and Deriv/SERV's records on the basis of the MP Notices (or, at the times and in the circumstances specified in the CDS Procedures, on the basis of equivalent information) notified by the Clearing House to the Matched CDS Buyer and Matched CDS Seller in the Matched Pair. The Clearing House shall not be obliged to act upon any disputed MP Notice or Settlement Notice until the relevant dispute has been resolved.

(g) The Matched CDS Buyer and Matched CDS Seller in each Matched Pair shall each make such payments and deliveries and deliver such tenders, notices and invoices in relation to settlement to one another and to the Clearing House as are required pursuant to a Matched CDS Contract, these Rules, the CDS Procedures or Applicable Laws, provided that if Asset Package Delivery is applicable in respect of a Prior Deliverable Obligation specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice (as the case may be) and the Matched CDS Buyer has complied with its obligations to give an Asset Package Delivery Notice, then in circumstances where the Asset Package is deemed to be zero, settlement shall be deemed to settle on a delivery-versus-payment basis in accordance with the timetable set out in Section 8.12(b)(iii) of the 2014 Credit Derivatives Definitions.

**Rule 1510** ***Physical Settlement of Matched Pairs for Non DVP Obligations***

(a) In respect of any Matched Pair and the associated MP Amount, if any Deliverable Obligations to be Delivered by the Matched CDS Buyer to the Matched CDS Seller are reasonably believed by the Matched CDS Buyer not to settle standardly on a delivery-versus-payment basis (such Deliverable Obligations, "**Non DVP Obligations**") (as notified by the Matched CDS Buyer to the Matched CDS Seller and to the Clearing House upon delivering any Notice of Physical Settlement or NOPS Amendment Notice or

Asset Package Delivery Notice), Delivery of such Non DVP Obligations and payment of the related Physical Settlement Amount, each relating to the relevant portion of the MP Amount (the "**Non DVP MP Amount**") shall take place as follows and in accordance with the CDS Procedures:

(i) the Matched CDS Buyer shall notify the Clearing House that it is ready to Deliver to the Matched CDS Seller the Non DVP Obligations in an amount at least equal to the Non DVP MP Amount;

(ii) following receipt of a valid notification under Rule 1510(a)(i), the Clearing House shall request that the Matched CDS Seller pays the full Physical Settlement Amount relating to such Non DVP MP Amount to the Clearing House;

(iii) following receipt of a request under Rule 1510(a)(ii), the Matched CDS Seller shall transfer the full Physical Settlement Amount relating to the Non DVP MP Amount to the Clearing House;

(iv) following receipt of the full Physical Settlement Amount relating to the Non DVP MP Amount in accordance with Rule 301(f), the Clearing House shall notify the Matched CDS Buyer that it is holding the full Physical Settlement Amount relating to such Non DVP MP Amount from the Matched CDS Seller;

(v) following receipt of the notice under Rule 1510(a)(iv), the Matched CDS Buyer shall Deliver the relevant Non DVP Obligations to the Matched CDS Seller in an amount at least equal to the relevant Non DVP MP Amount;

(vi) following its receipt of Delivery of the relevant Deliverable Obligations, the Matched CDS Seller shall deliver a Notice to the Clearing House in the form required by the Clearing House from time to time specifying that the Delivery has occurred, in full or, if in part, the percentage of the Non DVP MP Amount (the "**Delivered Percentage**") in respect of which Delivery has occurred;

(vii) following its receipt of a valid notice under Rule 1510(a)(vi), the Clearing House shall pay an amount equal to the Physical Settlement Amount (or, where the Matched CDS Seller notified the Clearing House of Delivery in part only, an amount equal to the Delivered Percentage of the Physical Settlement Amount) received from the Matched CDS Seller in respect of the relevant Non DVP MP Amount to the Matched CDS Buyer; and

(viii) if the Matched CDS Buyer does not Deliver the Non DVP Obligations in an amount at least equal to the relevant Non DVP MP Amount to the Matched CDS Seller within the required period under the CDS Procedures for compliance with Rule 1510(a)(v) ("**Delivery Period**"), the Matched CDS Seller may request that the Clearing House repay to the Matched CDS Seller the Physical Settlement Amount in respect of the relevant Non DVP MP Amount, less the Delivered Percentage of the Physical Settlement Amount, if any, together with accrued interest on such amount for the period it has been held by the Clearing House calculated by

reference to the Clearing House's rate for overnight deposits in the currency of the Physical Settlement Amount.

The process set out in this Rule 1510 may, subject to the relevant Contract Terms, be repeated in relation to any Non DVP Obligations not in fact delivered during a relevant Delivery Period.

**Rule 1511** ***Notice that Physical Settlement is complete***

Where, pursuant to their rights and obligations under Matched CDS Contracts, the Matched CDS Seller and Matched CDS Buyer in any Matched Pair settle any Matched CDS Contract which is to be settled in accordance with the Fallback Settlement Method, the relevant Matched CDS Seller and Matched CDS Buyer shall each deliver a notice to the Clearing House in the form required by the Clearing House from time to time specifying the payment and Delivery that have occurred in respect of such Matched CDS Contracts. Any such notice shall constitute a representation by the CDS Clearing Member or Sponsored Principal delivering the notice to the Clearing House that, so far as it is aware, physical settlement has occurred successfully and that there are no outstanding claims known to him in respect of the Matched CDS Contract (save as is disclosed in the notice) but is otherwise without prejudice to the rights of any party to a Matched CDS Contract in respect of settlement.

**Rule 1512** ***Failure to pay Physical Settlement Amount; Cash Settlement***

If, in relation to any Matched Pair, a Matched CDS Seller fails to pay all or part of the Physical Settlement Amount either to the Matched CDS Buyer or (where Rule 1510 applies) to the Clearing House when, in accordance with the Contract Terms, it was obliged to pay such amount (the amount not paid being the "**Failed Amount**"):

(a) the Matched CDS Buyer may and the Matched CDS Seller in the Matched Pair shall, as soon as practicable, give notice in writing to the Clearing House, giving all material details of the Matched CDS Contracts involved, of the failure to pay and the Failed Amount and any material details of the amount of any Physical Settlement Amount paid in part;

(b) such failure to pay shall not constitute or be deemed to constitute a breach of contract by, Insolvency of or Failure To Pay by the Clearing House under these Rules, the applicable Contract Terms or any Matched CDS Buyer Contract or give rise to any termination rights under Rule 209(c)(ii) or (iii) or Rule 912;

(c) if the Matched CDS Buyer elects to notify the Clearing House of such failure to pay in accordance with Rule 1512(a), the Matched CDS Buyer may give any such notice as soon as reasonably practicable after the occurrence of such failure to pay by the Matched CDS Seller;

(d) the Matched CDS Seller will be deemed to have failed to pay an amount equal to the Failed Amount to the Clearing House under the relevant Matched CDS Seller Contract;

(e) upon notice being given to the Clearing House by the Matched CDS Buyer in accordance with Rule 1512(c), "Cash Settlement" between the Matched CDS Buyer and the Clearing

House pursuant to the Partial Cash Settlement Terms (set out in Section 9.8 of the 2003 Credit Derivatives Definitions or Section 9.6 of the 2014 Credit Derivatives Definitions, as applicable, each of which is amended for these purposes in the CDS Procedures) shall be deemed to apply to the Matched CDS Buyer Contract with respect to the Deliverable Obligations corresponding to the Failed Amount as though:

(i) the Deliverable Obligations not Delivered were Undeliverable Obligations;

(ii) the Latest Permissible Physical Settlement Date were the date on which the Matched CDS Buyer gave the relevant notice to the Clearing House as referred to in Rule 1512(c);

(iii) Indicative Quotations were not applicable; and

(iv) the Matched CDS Buyer were the Calculation Agent,

and the Clearing House and the Matched CDS Buyer will settle the Matched Buyer CDS Contract accordingly and Rule 1509 will not apply.

**Rule 1513** ***Fallback to Cash Settlement in respect of Non-Deliverable Obligations***

(a) If a Matched CDS Buyer is not permitted to Deliver one or more Deliverable Obligations (such Deliverable Obligations, the "**Non-Deliverable Obligations**") specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice or Asset Package Delivery Notice to its Matched CDS Seller in the relevant Matched Pair because:

(i) the amount of such Deliverable Obligation is less than the relevant minimum denomination of such Deliverable Obligation; or

(ii) such Matched CDS Seller is not a permitted transferee under such Deliverable Obligation or the Matched CDS Buyer does not obtain any requisite consent with respect to delivery of loans,

such occurrence shall be treated, in relation to both Matched CDS Contracts, as an illegality or impossibility outside the parties' control for the purpose of Section 9.3 of the 2003 Credit Derivatives Definitions or Section 9.1 of the 2014 Credit Derivatives Definitions, as applicable. The Matched CDS Buyer shall deliver a notice describing in reasonable detail the facts giving rise to such deemed illegality or impossibility to its Matched CDS Seller and the Clearing House.

(b) Upon notice being given to the Clearing House by the Matched CDS Buyer under Rule 1513(a), "Cash Settlement" pursuant to the Partial Cash Settlement Terms (set out in Section 9.8 of the 2003 Credit Derivatives Definitions or Section 9.6 of the 2014 Credit Derivatives Definitions, as applicable, each of which is amended for these purposes in the CDS Procedures) shall be deemed to apply to the Matched CDS Contracts in respect of the relevant Matched Pair with respect to the Non-Deliverable Obligations as though:

(i) the Non-Deliverable Obligations were Undeliverable Obligations;

(ii) the Latest Permissible Physical Settlement Date were the date on which the Matched CDS Buyer gave the relevant notice to the Clearing House as referred to in Rule 1513(a);

(iii) in the case of Rule 1513(a)(ii), Indicative Quotations were not applicable; and

(iv) the Matched CDS Buyer were the Calculation Agent.

The Clearing House and the Matched CDS Buyer will settle the Matched CDS Buyer Contract and the Clearing House and the Matched CDS Seller will settle the Matched Seller CDS Contract accordingly as though references to the Physical Settlement Amount in Rule 1509(b) and (c) were references to the Cash Settlement Amount.

**Rule 1514** ***CDS Alternative Delivery or Settlement Procedure***

(a) A Matched CDS Buyer and Matched CDS Seller in any Matched Pair for which the Settlement Method is other than Auction Settlement may, in accordance with the CDS Procedures, elect to settle their rights and obligations in relation to such Matched CDS Contracts between each other outside the Clearing House and other than pursuant to Rule 1507 to Rule 1511 ("**CDS Alternative Delivery or Settlement Procedure**" or "**CADP**"). For CADP to be effective, the Matched CDS Buyer and Matched CDS Seller must jointly provide the Clearing House with a CADP Notice specifying the Matched CDS Contracts and the quantity of the related MP Amount intended to be the subject of CADP (which quantity, if the CDS Contracts are ones to which Section 3.9 (*Credit Event Notice after Restructuring*) of the 2003 Credit Derivatives Definitions or Section 1.33 (*Credit Event Notice after M(M)R Restructuring*) of the 2014 Credit Derivatives Definitions, as applicable, applies, shall be an amount that would be permitted as an Exercise Amount in relation to such Matched CDS Contracts under such section and, otherwise, shall be the entire MP Amount) and obtain the consent of the Clearing House to CADP, which consent will not be unreasonably withheld or delayed. The Clearing House shall respond to any CADP Notice (including its consent to CADP or otherwise) within one Business Day of receipt thereof.

(b) With effect from the time that the Clearing House confirms its consent to CADP, the Floating Rate Payer Calculation Amount of the relevant Matched CDS Contracts will be deemed to be reduced by an amount equal to the quantity of the MP Amount specified in the CADP Notice, as referred to in (a) above. In such circumstances, Rules 1507 to 1511 (inclusive) shall not apply to such Matched CDS Buyer and Matched CDS Seller in respect of the notified reduced amount related to such Matched Pair or the relevant Matched CDS Contracts.

(c) In such circumstances, the Matched CDS Buyer and Matched CDS Seller shall be liable to satisfy their obligations to each other in respect of such CADP bilaterally pursuant to such arrangements or agreements as they may establish or agree between them.

**Rule 1515** ***Separation of Matched Pairs***

(a) If: -

(i) a DC Credit Event Announcement has been made in respect of an Applicable Credit Event other than a Relevant Restructuring Credit Event; and

(ii) settlement of the relevant CDS Contracts is to be made pursuant to the Fallback Settlement Method; and

(iii) a subsequent resolution of a Determining Body results in settlement of the relevant CDS Contracts no longer being required to be made pursuant to the Fallback Settlement Method,

then:

(iv) to the extent that the Clearing House has not by then matched CDS Sellers with CDS Buyers to form Matched Pairs in relation to the relevant CDS Contracts, pursuant to Rule 1507, it shall not do so; and

(v) to the extent that the Clearing House has by then matched CDS Sellers with CDS Buyers to form Matched Pairs in relation to the relevant CDS Contracts pursuant to Rule 1507, the Clearing House shall, as soon as reasonably practicable, give notice (the "**Matching Reversal Notice**") to the CDS Seller and CDS Buyer forming each affected Matched Pair of the proposal to reverse such matching and shall thereafter reverse such matching, provided that the Clearing House will not reverse any matching to the extent that the Matched CDS Buyer or Matched CDS Seller has, not later than one Business Day after the Matching Reversal Notice, given notice to the Clearing House in accordance with Rule 1511 or the CDS Procedures (as applicable) that the relevant Matched Pair have settled the relevant Matched CDS Contracts (or part thereof).

(b) If: -

(i) a Restructuring Credit Event Announcement has been made; and

(ii) a subsequent resolution of a Determining Body determines that the Relevant Restructuring Credit Event did not in fact occur,

then:

(iii) to the extent that the Clearing House has not by then matched CDS Sellers with CDS Buyers to form Matched Pairs in relation to the relevant CDS Contracts, pursuant to Rule 1508, it shall not do so; and

(iv) to the extent that the Clearing House has by then matched CDS Sellers with CDS Buyers to form Matched Pairs in relation to the relevant CDS Contracts pursuant to Rule 1508, the Clearing House shall:

(A) with respect to relevant CDS Contracts to which Auction Settlement is applicable and where the subsequent resolution of the Determining Body in (ii) above occurs prior to the Auction Final Price Determination Date, reverse such matching; and

(B) with respect to relevant CDS Contracts to which the Fallback Settlement Method is applicable, to the extent that the Clearing House has by then matched CDS Sellers with CDS Buyers to form Matched Pairs in relation to the relevant CDS Contracts pursuant to Rule 1508, the Clearing House shall, as soon as reasonably practicable, give a Matching Reversal Notice to the CDS Seller and CDS Buyer forming each affected Matched Pair of the proposal to reverse such matching and shall thereafter reverse such matching, provided that the Clearing House will not reverse any matching to the extent that the Matched CDS Buyer or Matched CDS Seller has, not later than one Business Day after the Matching Reversal Notice, given notice to the Clearing House in accordance with Rule 1511 or the CDS Procedures (as applicable) that the relevant Matched Pair have settled the relevant Matched CDS Contracts (or part thereof).

(c) In relation to any Matched CDS Contract for which the matching of the related Matched Pair is reversed pursuant to (a) or (b) of this Rule 1515, the Clearing House will recalculate Margin on the basis that such CDS Contract is no longer a Matched CDS Contract and will adjust the Margin required by it accordingly.

(d) In relation to any Matched CDS Contract for which the matching of the related Matched Pair is reversed pursuant to (a) or (b) of this Rule 1515, any notices sent by the Matched CDS Buyer or the Matched CDS Seller to the other for the purposes or in connection with the settlement of the relevant Matched CDS Contracts will be deemed not to have been delivered and will be ineffective.

(e) For the avoidance of doubt, reversal of a Matched CDS Contract means that the Clearing House will restore the CDS Contracts (and any related Customer-CM CDS Transactions) that existed before the initial Credit Event determination occurred including by amending records in Deriv/SERV and the relevant Clearing Members and Customers will make or confirm any required matching amendments to reflect such reversed positions.

**Rule 1516** ***Customer Accounts***

(a) CDS Clearing Members must make designations to the Clearing House pursuant to Rule 401(g) and Rule 406(d) which, if acted upon by the Clearing House in accordance with such provisions, would result in:

(i) no CDS Sub-Account being used for more than one Customer for which such CDS Clearing Member provides clearing services;

(ii) no CDS Sub-Account linked to a Segregated Customer Omnibus Account For CDS or Standard Omnibus Indirect Account For CDS including any CDS Contract

entered into in respect of Segregated TTFCA Customer business or the CDS Clearing Member's own account business;

(iii) no CDS Sub-Account linked to a Segregated TTFCA Customer Omnibus Account For CDS or Standard TTFCA Omnibus Indirect Account For CDS including any CDS Contract entered into in respect of Segregated Customer business or the CDS Clearing Member's own account business;

(iv) no CDS Sub-Account linked to a Proprietary Account (other than, in the case of an FCM/BD Clearing Member, an Individually Segregated Sponsored Account) including any CDS Contracts entered into for or in connection with Segregated Customer or Segregated TTFCA Customer business; and

(v) the only Segregated TTFCA Customers where related CDS Contracts are eligible for recording in a CDS Sub-Account linked to a Proprietary Account being Segregated TTFCA 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(t) 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 disapplied 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.

**Rule 1519** ***Interest***

(a) Prior to the occurrence of (A) the completion of a close out of a CDS Clearing Member's or Sponsored Principal's positions under Part 9 upon the declaration of an Event of Default in respect of such CDS Clearing Member or Sponsored Principal (a "**Defaulter Close-Out**") or (B) a deemed discharge of the rights and liabilities of a CDS Clearing Member or Sponsored Principal under CDS Contracts upon the occurrence of an Insolvency in respect of the Clearing House or a Failure To Pay in respect of the Clearing House (a "**Deemed Discharge**"):

(i) *Interest payable by the Clearing House*:

(A) *Interest on Late Payments.* If the Clearing House is late in the performance of any payment obligation pursuant to a CDS Contract (including but not limited to pursuant to Rule 110) that has become due and payable, it will, to the extent permitted by Applicable Laws, pay interest (before as well as after judgment) on the overdue amount in respect of the relevant Account on demand in the same currency as the overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment at the Late Payment Rate.

(B) *Interest on Deferred Payments.* If the Clearing House does not pay any amount that, but for paragraph 8.2(a)(i)(B) of the CDS Procedures, would have been payable pursuant to a CDS Contract in respect of the relevant Account, it will, to the extent permitted by Applicable Laws, pay interest (before as well as after judgment) on that amount in respect of the relevant Account on demand (after such amount becomes payable) in the same currency as that amount, for the period from (and including) the date the amount would, but for paragraph 8.2(a)(i)(B) of the CDS Procedures, have been payable to (but excluding) the date the amount actually becomes payable, at the Deferral Rate.

(ii) *Interest payable by the CDS Clearing Member or Sponsored Principals*:

(A) *Interest on Late Payments.* If the relevant CDS Clearing Member or Sponsored Principal is late in the performance of any payment obligation

pursuant to a CDS Contract that has become due and payable, it will pay interest to the Clearing House in accordance with Rule 301(f).

(B) *Interest on Deferred Payments.* If the relevant CDS Clearing Member or Sponsored Principal does not pay any amount that, but for paragraph 8.2(a)(i)(C) of the CDS Procedures, would have been payable pursuant to a CDS Contract with that CDS Clearing Member or Sponsored Principal, it will, to the extent permitted by Applicable Law, pay interest (before as well as after judgment) on that amount to the Clearing House on demand (after such amount becomes payable) in the same currency as that 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 interest accrued in respect of those amounts pursuant to Rule 1519(b), are deemed immediately payable, including for purposes of Rule 906.

## 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 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 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 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 transferred by such FCM/BD Clearing Member on behalf of its SBS Customers in connection with Contracts that are SBS. The Clearing House SBS 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 Exchange Act and SEC rules and regulations.

(e) The term "**Clearing House FCM/BD Segregated Account**" means the Clearing House Swap Segregated Account, the Clearing House DCM Segregated Account, the Clearing House SBS Segregated Account or the Clearing House Non-DCM/Swap Account, as the case may be.

(f) The term "**Customer Swap Portfolio**" means the portfolio of rights and obligations under Contracts that are registered in a Swap Customer Account of an FCM/BD Clearing Member and that are allocated to a particular Swap Customer in the books and records of the Clearing House in accordance with the Swap Customer Segregation Requirements.

**Rule 1603** ***FCM/BD Contracts***

(a) A Contract that arises under Rule 401 between the Clearing House and an FCM/BD Clearing Member shall be subject to this Part 16, regardless of whether any offsetting Contract between the Clearing House and another Clearing Member is subject to this Part 16. In respect of any Contract between the Clearing House and an FCM/BD Clearing Member, and in respect of other matters relating to such FCM/BD Clearing Member and/or FCM/BD Customer under the Rules, this Part 16 shall govern in the event of any conflict with any other provision of the Rules, and, for the avoidance of doubt, the Procedures, Clearing Membership Agreement or Pledged Collateral Addendum. With respect to an FCM/BD Clearing Member, references in these Rules to such Clearing Member in respect of a Contract recorded in a Customer Account shall be deemed to refer to such FCM/BD Clearing Member acting for the account of and on behalf of one or more FCM/BD Customers in respect of such Contract under the terms of these Rules as set forth in Rule 1603(d).

(b) Each FCM/BD Clearing Member shall have at least one Proprietary Account and one or more Customer Accounts in which its Contracts shall be registered. Except as provided herein, references in the Rules to a Customer Account of an FCM/BD Clearing Member or to a "class" of Customer Account shall refer to one or more DCM Customer Accounts, Swap Customer Accounts, Non-DCM/Swap Customer Accounts, SBS Customer Accounts or General Customer Accounts, as applicable, each such account being of a different "class". Notwithstanding anything to the contrary herein, to the extent that pursuant to a CFTC rule, order or exemption (or a Rule of the Clearing House approved thereunder) it is permissible under Applicable Law for Contracts in U.S. Futures, Swaps and/or Non-DCM/Swaps (and related Margin or Permitted Cover) to be co-mingled in a single class of Customer Account, the Clearing House may permit such co-mingling in such class of Customer Account, and references herein to the relevant Customer Account and FCM/BD Customer shall thereupon be construed accordingly. Without limiting the foregoing, Permitted Co-mingled Contracts shall be treated as Swaps or U.S. Futures, as the case may be, and not as Non-DCM/Swaps, and the appropriate classes of Customer Account shall be construed accordingly.

(c) Each Customer Account of an FCM/BD Clearing Member that has executed a Pledged Collateral Addendum shall be a Pledged Collateral Account. Margin (or Permitted Cover in respect thereof) to be provided by an FCM/BD Clearing Member in respect of a Customer Account shall be provided in the form of Pledged Collateral, but in all other respects shall be provided in the forms, amounts, times and manners required under Rule 502 and Rule 503.

(d) Where an FCM/BD Clearing Member clears a Contract for FCM/BD Customers, (i) such FCM/BD Clearing Member becomes liable to the Clearing House in respect of such Contract to no less an extent than if such Contract were for the FCM/BD Clearing Member's own account (and without prejudice to the obligations of the FCM/BD Customers to the FCM/BD Clearing Member in respect of such Contract, including without limitation pursuant to any agreement between an FCM/BD Customer and the FCM/BD Clearing Member); (ii) the Clearing House becomes liable and is obligated to perform to the FCM/BD Clearing Member, which in turn it is acknowledged will be acting for the account of and on behalf of such FCM/BD Customers, in respect of such Contract; (iii) the Clearing House shall be deemed to have discharged such obligations by performing to such FCM/BD Clearing Member for credit to the relevant Customer Account in respect of all payments and other obligations owed by the Clearing House under and in respect of such Contract as otherwise set forth in and subject to these Rules, without having any obligation to perform directly to the FCM/BD Customers; and (iv) without prejudice to any agreement between an FCM/BD Customer and the FCM/BD Clearing Member, such FCM/BD Customers become liable to reimburse and indemnify such FCM/BD Clearing Member in respect of performance by the FCM/BD Clearing Member under such Contract, subject, in the case of each of paragraphs (i) through (iv) of this subsection, to the provisions of this Part 16. Nothing in this Rule 1603(d) (I) shall be deemed to affect the rights or obligations of an FCM/BD Customer as against such FCM/BD Clearing Member with respect to such a Contract under Applicable Law or the terms of any agreement between the FCM/BD Clearing Member and such FCM/BD Customer; (II) shall require the Clearing House to carry out any enquiry as to the identity or existence of any FCM/BD Customer or FCM/BD Customers, except as required by Applicable Law; or (III) shall be deemed to limit the right or ability of the Clearing House to net or offset Open Contract Positions or obligations within a particular class of Customer Account of an FCM/BD Clearing Member to the extent otherwise permitted by these Rules and Applicable Law.

(e) Rule 402(a) and clause 3.2 of the Clearing Membership Agreement shall not apply to an FCM/BD Clearing Member in respect of a Contract with respect to which it is acting for an FCM/BD Customer. None of Rule 405(d), Rule 408, or clause 3.4 of a Clearing Membership Agreement shall be deemed to preclude an FCM/BD Clearing Member from acting for an FCM/BD Customer in connection with a Contract.

(f) Where the FCM/BD Clearing Member acts for a Customer, Rule 405(c)(ii) shall not apply to any contracts, rights, obligations or liabilities as between that Customer and the FCM/BD Clearing Member.

(g) For purposes of Rule 303 and Rule 406(c) and for the avoidance of doubt: (i) Rule 905, Contracts and other obligations in any class of Customer Account of an FCM/BD Clearing

Member shall not be netted or offset against Open Contract Positions or other obligations in any Proprietary Account of that Clearing Member; and (ii) Open Contracts or other obligations in any class of Customer Account of any FCM/BD Clearing Member may not be netted or offset against Open Contract Positions or other obligations in any other class of Customer Account of that FCM/BD Clearing Member.

(h) Notwithstanding anything to the contrary in Rule 502 and Rule 503, for each Customer Account if required by Applicable Law or otherwise if so specified in the relevant Procedures or by Circular, Margin shall be calculated and called for on a "gross" basis across all positions of the FCM/BD Customers of a particular FCM/BD Clearing Member.

(i) The first sentence of Rule 504(b) is not applicable. The second sentence of Rule 504(b) is amended to read as follows: Except as provided by Applicable Law and Rule 1605 with respect to a Customer Account, 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. Nothing in the Rules nor any Pledged Collateral Addendum (including without limitation section 2.7 thereof as modified pursuant to Rule 1609) shall preclude an FCM/BD Clearing Member from providing Pledged Collateral to the Clearing House that was provided to the FCM/BD Clearing Member by an FCM/BD Customer and in which the FCM/BD Customer has granted the FCM/BD Clearing Member a security interest to secure the FCM/BD Customer's obligations; or preclude an FCM/BD Clearing Member from having a security interest granted by the FCM/BD Customer in such FCM/BD Customer's rights in respect of any Contracts cleared through such FCM/BD Clearing Member; provided that FCM/BD Clearing Member hereby agrees that any such security interest in favour of FCM/BD Clearing Member is in all respects subject to the rights of the Clearing House in respect of such Pledged Collateral or Contracts hereunder and under the Pledged Collateral Addendum and FCM/BD Clearing Member shall not, and shall not attempt to (i) exercise any rights or remedies or bring any proceeding or action with respect to such Pledged Collateral until such Pledged Collateral is released from the lien and security interest of the Clearing House hereunder and under the Pledged Collateral Addendum or (ii) otherwise interfere with, delay the exercise of or take any action to affect the Clearing House's rights hereunder or under the Pledged Collateral Addendum with respect to such Pledged Collateral or Contracts.

(j) Without limiting Rule 111, save for any liability which it cannot exclude pursuant to Applicable Laws, the Clearing House shall have no obligation or liability in respect of an Open Contract Position in a Customer Account of an FCM/BD Clearing Member other than to the FCM/BD Clearing Member (acting as set forth in Rule 1603(d)) and no Person (including an FCM/BD Customer) other than an FCM/BD Clearing Member shall be entitled to enforce or exercise any rights or remedies with respect to such Open Contract Position as against the Clearing House. The Clearing House shall have no obligation or liability in respect of any transaction, agreement or arrangement between an FCM/BD Clearing Member and an FCM/BD Customer. This Rule 1603(j) shall not be deemed to limit the rights, if any, of an FCM/BD Customer as against such FCM/BD Clearing Member in respect of such Open Contract Positions, and payments or other performance

thereunder, under Applicable Law or the terms of any agreement between the FCM/BD Clearing Member and such FCM/BD Customer.

(k) With respect to any Open Contract Position carried by an FCM/BD Clearing Member for a Customer Account, all terms of the position, as carried in the customer account on the books of the FCM/BD Clearing Member, must conform to the terms of the Open Contract Position under the Rules as in effect from time to time (including any changes therein or actions by the Clearing House in relation thereto).

(l) This Rule 1603 is without prejudice to and shall not restrict or exclude any of the other obligations of Clearing Members under the Rules.

(m) The Standard Terms shall not apply to FCM/BD Clearing Members.

**Rule 1604** ***Additional default rules for FCM/BD Clearing Members***

The following provisions constitute default rules for purposes of the Companies Act 1989.

(a) Any right of the Clearing House pursuant to Rule 902 or Rule 903 to transfer Open Contracts and related Margin (or Permitted Cover in respect thereof) of an FCM/BD Clearing Member that is a Defaulter will be subject to Applicable Law, including without limitation Part 190 of the CFTC Regulations.

(b) Where an FCM/BD Clearing Member wishes to terminate or close out an Open Contract Position in any class of Customer Account with respect to an FCM/BD Customer because of a default or similar event with respect to that FCM/BD Customer, the relevant FCM/BD Clearing Member must, in accordance with Rule 406 and the Clearing Procedures, either: (i) offset such Open Contract Position against a Contract or Contracts entered into by such FCM/BD Clearing Member for such Customer Account (which may be entered into contemporaneously with a separate Contract or Contracts entered into at the same time for one of its Proprietary Accounts) for the specific purpose of liquidating such Customer Account position; or (ii) to the extent permitted by Applicable Law, Transfer such Open Contract Position from such Customer Account to one of its Proprietary Accounts, whereupon it shall be treated as an Open Contract Position in the relevant Proprietary Account for all purposes under these Rules. Nothing in this Rule 1604(b) is intended to create a condition precedent to any step being taken under any agreement between a Clearing Member and its Customer. However, a Clearing Member shall continue to be liable to the Clearing House in respect of any Contracts until such time as they are offset in accordance with this Rule 1604(b) or otherwise terminated in accordance with the Rules and the Clearing Procedures. For the avoidance of doubt, any Open Contract Position and any such offsetting Contract or Contracts entered into by an FCM/BD Clearing Member for a Customer Account for the specific purpose of liquidating such Open Contract Positions pursuant to this Rule 1604(b) may be aggregated and/or netted pursuant to Rule 406.

(c) Each FCM/BD Customer whose transactions are cleared through an FCM/BD Clearing Member with the Clearing House will be deemed to have consented to the actions taken in

accordance with the following provisions if an Event of Default has occurred with respect to its FCM/BD Clearing Member:

(i) the FCM/BD Clearing Member (or its Insolvency Practitioner) and/or the Clearing House shall be entitled to transfer Open Contract Positions recorded in a Customer Account in accordance with Applicable Law and the Procedures;

(ii) such FCM/BD Customer appoints the Clearing House as its lawful agent and attorney-in-fact to take such actions on behalf of the FCM/BD Customer as the Clearing House determines necessary or appropriate in order to effectuate such transfer with respect to the Open Contract Positions carried by the FCM/BD Clearing Member for such FCM/BD Customer, including executing any document or instrument with respect to the transfer of the Open Contract Positions and/or exercising rights and remedies to transfer such positions;

(iii) the FCM/BD Customer shall take no action, including but not limited to attempting to obtain a court order, that could interfere with the ability of the FCM/BD Clearing Member, any Insolvency Practitioner for such FCM/BD Clearing Member, or the Clearing House to take action contemplated by these Rules, including, without limitation, the transfer or close-out of positions and the transfer or application of related Margin or Permitted Cover in respect thereof;

(iv) any determination made by the Clearing House with respect to the termination value of a Contract under the Rules or the value of any other asset or liability under Rule 905 shall be conclusive and binding;

(v) any amount payable by such FCM/BD Customer in respect of the termination of a Contract of a Defaulter in respect of its Customer Account shall not be netted or offset against any amount owed by such FCM/BD Clearing Member to such FCM/BD Customer under any other agreement or instrument and shall be paid directly to or as directed by the Clearing House; and

(vi) the Clearing House applying the Default Portability Rules with respect to Open Contract Positions relating to such FCM/BD Customer, including by taking any of the following steps:

(A) Transferring Contract Positions to a Transferee Clearing Member;

(B) terminating Open Contract Positions and arranging for the entry into of new replacement Open Contract Positions with a Transferee Clearing Member (by way of novation or otherwise); and/or

(C) transferring Margin (in such amount as the Clearing House may determine) credited to the Customer Margin Account of its FCM/BD Clearing Member to the Customer Margin Account of the Transferee Clearing Member (and, if such a transfer occurs, the Defaulter's obligations to the FCM/BD Customer in respect of such transferred Margin shall be fully discharged).

If possible under the Default Portability Rules and any requirements of Applicable Law, the Clearing House will seek to dispose of Open Contract Positions in a Customer Account of an FCM/BD Clearing Member that is a Defaulter (by termination, liquidation or Transfer in accordance with Part 9 of the Rules) in accordance with the instructions of the relevant FCM/BD Customers or the bankruptcy trustee, as applicable, within seven calendar days of the date that the FCM/BD Clearing Member is declared a Defaulter. In the event a Transfer of Open Contract Positions to a Transferee Clearing Member has not been effected within such period, or the Clearing House for any reason deems it necessary or appropriate for its protection or the protection of market participants, the Clearing House will, subject to Applicable Laws, terminate or liquidate the Contracts pursuant to Part 9.

(d) In respect of any Contract to which a Defaulter that is or was an FCM/BD Clearing Member and the Clearing House is or was a party, any net sum certified by the Clearing House pursuant to Rule 905(b) as payable by the Clearing House to the Defaulter in respect of any class of Customer Account of the Defaulter is intended to be treated in accordance with Applicable Laws of the United States of America, including the U.S. Bankruptcy Code and the CEA. With respect to any FCM/BD Clearing Member, the Clearing House and such FCM/BD Clearing Member intend that:

(i) for purposes of the relevant provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991:

(A) the Clearing House is a 'clearing organization';

(B) the Clearing House and each Clearing Member is a 'member';

(C) the Rules, Procedures, Clearing Membership Agreement, Contracts, Pledged Collateral Addendum and any other agreement between a Clearing Member and the Clearing House relating to Clearing of Contracts together constitute a 'netting contract' between those parties and include 'security agreements or arrangements or other credit enhancements related to such netting contract';

(D) an obligation of a Clearing Member to make a payment to the Clearing House, or of the Clearing House to make a payment to a Clearing Member, subject to a netting agreement, is a 'covered clearing obligation' and a 'covered contractual payment obligation';

(E) an entitlement of a Clearing Member to receive a payment from the Clearing House, or of the Clearing House to receive a payment from a Clearing Member, subject to a netting contract, is a 'covered contractual payment entitlement';

(F) the amount by which the covered contractual payment entitlements of a Clearing Member or the Clearing House exceed the covered contractual payment obligations of such Clearing Member or the Clearing House after netting under a netting contract is its 'net entitlement'; and

(G) the amount by which the covered contractual payment obligations of a Clearing Member or the Clearing House exceed the covered contractual payment entitlements of such Clearing Member or the Clearing House after netting under a netting contract is its 'net obligation';

(ii) for purposes of the Title 11 of the United States Code (the "U.S. Bankruptcy Code"), each Contract or Open Contract Position is a 'commodity contract' or 'securities contract', as applicable and the Rules, Procedures, Clearing Membership Agreement, Contracts, Pledged Collateral Addendum and any other agreement between a Clearing Member and the Clearing House relating to Clearing of Contracts constitute a 'master agreement' and include a 'security agreement or arrangement or other credit enhancement' related to a 'commodity contract' or 'securities contract', as applicable; and

(iii) for purposes of Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each Open Contract Position is a 'swap agreement' and the Rules, Procedures, Clearing Membership Agreement, Contracts, Pledged Collateral Addendum and any other agreement between a Clearing Member and the Clearing House relating to Clearing of Contracts constitute a 'master agreement' and include a 'security agreement or arrangement or other credit enhancement' related to a 'swap agreement'.

(e) Without limiting Rule 904(d)(v), for purposes of calculating *M* in Rule 906(a) and applying assets to meet the obligations and liabilities of a Defaulter that is an FCM/BD Clearing Member in respect of a Swap Customer Account, and determining any loss or shortfall to the Clearing House upon or following any Event of Default of that Clearing Member under Rule 1103, the Clearing House shall be entitled to rely conclusively on the allocation of Open Contract Positions to Customer Swap Portfolios and the allocation of the value of Margin to such Customer Swap Portfolios, as set forth in the books and records of the Clearing House from time to time in accordance with CFTC Rule 22.15 (absent manifest error by the Clearing House in making such allocation based on accurate information provided to the Clearing House), without need for further enquiry by the Clearing House as to the origin, source or ownership of any such Margin. Without limiting the Clearing House's rights under the preceding sentence, if the Clearing House applies FCM Swap Customer IM allocated to a particular Customer Swap Portfolio as permitted hereunder and subsequently determines that such asset was not the property of the relevant Swap Customer of the Defaulter (a "**Reviewed Application**"), the Clearing House shall be entitled, to the extent permitted by Applicable Law, to apply any Guaranty Fund Contribution of the Defaulter remaining after satisfaction of the obligations and liabilities of the Defaulter to reimburse the Clearing House Swap Segregated Account up to the amount of the Reviewed Application. The Clearing House shall have no obligation to rescind or otherwise refund any Reviewed Application or to apply any other assets (including, without limitation, any other assets in the Guaranty Fund, Clearing House Contributions or Assessment Contributions) to any reimbursement pursuant to the immediately preceding sentence.

**Rule 1605** ***Margin and Segregation Rules***

(a) An FCM/BD Clearing Member shall require each FCM/BD Customer to provide margin (or permitted cover in respect thereof) (such assets, "**FCM/BD Customer Collateral**") in an amount at least equal to (or, if and to the extent so specified by Circular, greater than) the amount of Margin of each relevant type required on a gross basis by the Clearing House with respect to the relevant Open Contract Position(s), separately for each relevant class of Customer Account (regardless of whether the FCM/BD Clearing Member is required to provide such Margin to the Clearing House on a gross basis pursuant to Rule 503). Any additional required amount may be specified by the Clearing House in a Circular with reference to a percentage of required Customer Account Margin. 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 same FCM/BD Customer in the same class of 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 FCM/BD Customer.

(b) With respect to FCM/BD Customer Collateral transferred to the Clearing House in respect of Contracts registered in a DCM Customer Account arising from U.S. Futures (including for the avoidance of doubt Permitted Co-mingled Contracts recorded in such DCM Customer Account) ("**FCM/BD U.S. Futures Customer Collateral**"), the Clearing House shall receive and hold such collateral in the Clearing House DCM Segregated Account and shall hold, use and segregate such collateral as customer property in accordance with Section 4d(a) and (b) of the CEA and the regulations of the CFTC thereunder. By means of this Rule, the FCM/BD Clearing Member shall have satisfied the requirement to obtain a segregation acknowledgement letter from the Clearing House under CFTC regulations.

(c) With respect to FCM/BD Customer Collateral transferred to the Clearing House in respect of Contracts registered in an SBS Customer Account arising from SBS ("**FCM/BD SBS Customer Collateral**"), the Clearing House shall receive and hold such collateral in the Clearing House SBS Segregated Account and shall hold, use and segregate such collateral as customer property in accordance with Sections 3E(b) and/or 15(c)(3) of the Exchange Act and the applicable rules and regulations of the SEC.

(d) With respect to FCM/BD Customer Collateral in respect of Contracts registered in a Swap Customer Account arising from Swaps (including for the avoidance of doubt Permitted Co-mingled Contracts recorded in such Swap Customer Account) ("**FCM/BD Swap Customer Collateral**"):

(i) An FCM/BD Clearing Member shall receive, hold and use all FCM/BD Swap Customer Collateral only as permitted under CEA Section 4d(f) and the regulations of the CFTC thereunder, including but not limited to Part 22 of the CFTC Regulations and any interpretations thereof by the CFTC or its staff (and, to the extent applicable, Securities Exchange Act Sections 3E(b) and/or 15(c)(3) and the regulations or any orders of the SEC thereunder) and as further set forth in these Rules and the Procedures (the "**Swap Customer Segregation Requirements**"). The Clearing House shall receive and hold such collateral transferred to the

Clearing House in the Clearing House Swap Segregated Account and shall segregate, hold and use all such FCM/BD Swap Customer Collateral as "cleared swaps customer collateral" in accordance with the Swap Customer Segregation Requirements. By means of this Rule, FCM/BD Clearing Member shall have satisfied the requirement to obtain a segregation acknowledgement letter from the Clearing House under the Swap Customer Segregation Requirements.

(ii) Without prejudice to paragraph (i), Open Contract Positions in any Swap Customer Account and related FCM/BD Swap Customer Collateral (and, solely to the extent permitted by applicable rules, orders or exemptions of the CFTC and the SEC, Contracts or Open Contract Positions that are security-based swaps) shall be part of the cleared swaps account class for purposes of Part 190 of the CFTC regulations.

(iii) Property credited to or recorded in the Clearing House Swap Segregated Account may only be applied in respect of Contracts or Open Contract Positions in a Swap Customer Account as provided in these Rules and only to the extent permitted by the Swap Customer Segregation Requirements (including CFTC Rule 22.15). For the avoidance of doubt, following an Event of Default with respect to an FCM/BD Clearing Member, property credited to or recorded in the Clearing House Swap Segregated Account that is not eligible to be applied pursuant to the preceding sentence will be returned to the FCM/BD Clearing Member (or its trustee or representative) pursuant to the Pledged Collateral Addendum and Rule 502(i).

(e) With respect to FCM/BD Customer Collateral transferred to the Clearing House in respect of Contracts registered in a Non-DCM/Swap Customer Account arising from Non-DCM/Swap Transactions (other than Permitted Co-mingled Contracts) ("**FCM/BD Other Transaction Collateral**"), the Clearing House shall hold such FCM/BD Customer Collateral as constituting the foreign futures or foreign options secured amount subject to the requirements of CFTC Rule 30.7. By means of this Rule, the FCM/BD Clearing Member shall have satisfied the requirement to obtain an acknowledgement letter of such status from the Clearing House under CFTC regulations.

(f) In connection with any Open Contract Position and related FCM/BD U.S. Futures Customer Collateral, FCM/BD SBS Customer Collateral, FCM/BD Swap Customer Collateral or FCM/BD Other Transaction Collateral provided to the Clearing House, the FCM/BD Clearing Member shall keep and maintain written records with respect thereto as required under Applicable Law. Each FCM/BD Clearing Member shall provide such records to the Clearing House upon request and upon such other basis, if any, as may be provided in the Procedures.

(g) For the avoidance of doubt, the acknowledgement in the first sentence of Rule 505 and the first sentence of clause 2.11 of a Pledged Collateral Addendum are intended to apply in relation to Pledged Collateral to the extent that the characterisation of any Pledged Collateral or the terms of a Pledged Collateral Addendum fall to be considered under the laws of any member state of the European Economic Area that has implemented Directive 2002/47/EC. For the avoidance of doubt, neither Rule 505 nor clause 2.11 of a Pledged Collateral Addendum are intended to affect any of: (i) the choice of law of the parties to

any Pledged Collateral Addendum in respect of such addendum; (ii) the choice of law under Rule 1608; (iii) the location or governing law of any account in which Pledged Collateral is held by the Clearing House; (iv) the location or governing law of any account from or to which assets intended to become or which were previously Pledged Collateral are transferred to or from the Clearing House; (v) the existence or nature of any place of business, establishment or office in any jurisdiction of any Person; or (vi) the principal place of business or centre of main interests of any FCM/BD Clearing Member or any of its Customers or Affiliates.

(h) Notwithstanding anything to the contrary in Parts 3 or 5 of these Rules, Margin shall be calculated, called and returned in respect of Contracts recorded in a Swap Customer Account of an FCM/BD Clearing Member as follows:

(i) The Clearing House shall calculate the amount of required FCM Swap Customer IM separately for each Customer Swap Portfolio. The Clearing House shall determine an amount for each Customer Swap Portfolio at the time of each FCM Swap Customer IM calculation equal to the amount of required FCM Swap Customer IM for such Customer Swap Portfolio minus the value of the Margin then standing to the credit of the relevant Swap Customer Account that is allocated by the Clearing House to such Customer Swap Portfolio as FCM Swap Customer IM (a "**Customer Swap Portfolio Initial Margin Call/Return Amount**"):

(A) with respect to each Customer Swap Portfolio Initial Margin Call/Return Amount applicable to a Swap Customer Account of the Clearing Member that is a positive number, the Clearing House shall call such Clearing Member for an amount of FCM Swap Customer IM, such amount to be transferred otherwise using the same procedures as are applicable for transfers of Margin from the Clearing Member on other Customer Accounts under Parts 3 and 5 of the Rules and the Finance Procedures, equal to such Customer Swap Portfolio Initial Margin Call/Return Amount;

(B) following the settlement in full of all Margin due to be transferred to the Clearing House pursuant to Rule 1605(h)(i)(A) above, the Clearing House will make available for return to the Clearing Member, for each Customer Swap Portfolio with a Customer Swap Portfolio Initial Margin Call/Return 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 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 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 1606** ***Additional FCM/BD Clearing Membership Requirements***

(a) Each FCM/BD Clearing Member that has a Customer Account shall execute and deliver to the Clearing House a Pledged Collateral Addendum to its Clearing Membership Agreement, in the form specified by the Clearing House.

(b) FCM/BD Customer Collateral in the form of USD cash that is transferred by an FCM/BD Clearing Member to the Clearing House pursuant to the Rules shall be invested by the Clearing House only in U.S. Treasury securities constituting permitted investments under Applicable Law in accordance with the Procedures (including through direct purchases or repurchase or reverse repurchase transactions). Each FCM/BD Clearing Member that has a Customer Account shall instruct the Clearing House, in a manner to be specified by the Clearing House, whether or not such FCM/BD Customer Collateral transferred by it to the Clearing House should be so invested, and if it so instructs (or is deemed to so instruct), then by its transfer to the Clearing House of any such FCM/BD Customer Collateral in the form of USD cash, the FCM/BD Clearing Member hereby acknowledges and consents to

such investment. If the FCM/BD Clearing Member fails to provide any such instruction, it will be deemed to have instructed the Clearing House to so invest such FCM/BD Customer Collateral. If an FCM/BD Clearing Member instructs the Clearing House not to so invest, the FCM/BD Clearing Member acknowledges and agrees that any such FCM/BD Customer Collateral in the form of USD cash will not be invested by the Clearing House, to the extent permitted by Applicable Law, and may therefore be held in a bank deposit selected by the Clearing House, and may be subject to a cash management fee determined by the Clearing House from time to time.

**Rule 1607** ***Additional FCM/BD Requirements for Customer Transactions***

(a) The relationship between an FCM/BD Customer and an FCM/BD Clearing Member in respect of Open Contract Positions for that FCM/BD Customer shall be documented pursuant to and governed by a futures account agreement or clearing agreement (or equivalent document) agreed between such parties, subject to the applicable provisions of these Rules and provided that no such agreement may be inconsistent with these Rules or the Clearing Membership Agreement.

(b) The Clearing House shall have no duties or responsibilities with respect to any Clearing House FCM/BD Segregated Account except as expressly set forth in these Rules and Applicable Law. The Clearing House shall have no obligation to monitor any requirements set forth in any agreement between an FCM/BD Clearing Member and an FCM/BD Customer. The Clearing House shall have no responsibility for the compliance by any FCM/BD Clearing Member or FCM/BD Customer with its obligations under any such agreement.

(c) Each FCM/BD Customer for which an FCM/BD Clearing Member clears a Swap must be an "eligible contract participant" as defined in the CEA.

(d) Each FCM/BD Customer whose transactions are cleared by an FCM/BD Clearing Member with the Clearing House will be deemed to have consented to:

(i) the Clearing House having the right to obtain information in relation to transactions from any Market, CDS Trade Execution/Processing Platform, FX Trade Execution/Processing Platform or Repository or Deriv/SERV so as to enable the Clearing House to identify which Contracts and Margin or Permitted Cover between the Clearing House and FCM/BD Clearing Member relate to such transactions;

(ii) the FCM/BD Clearing Member making any disclosures in connection with FCM/BD Customer and transactions as are required by the Rules or CDS Procedures or as required by Applicable Law;

(iii) disclosures to, use by and disclosures by the Clearing House of information relating to the FCM/BD Customer (including the Personal Data of its Data Subjects) pursuant to Rule 106;

(iv) submissions of and other actions relating to data concerning such transactions by the Clearing House pursuant to the Rules and the Procedures; and

(v) the operation of Rule 1605(d)(ii).

(e) Each FCM/BD Customer whose transactions are cleared by an FCM/BD Clearing Member with the Clearing House will be deemed to have consented to its FCM/BD Clearing Member entering into Contracts arising under Rule 404(c)(i) on its behalf.

(f) Each FCM/BD Clearing Member shall be required to obtain the agreement of each FCM/BD Customer to the provisions of the Rules applicable to or otherwise referring to FCM/BD Customers (including Rule 111, Rule 1603(j), Rule 1604(c) and this Rule 1607) (which agreement may be obtained through a general obligation in a customer agreement to comply with applicable clearing organisation rules) and hereby represents and warrants to the Clearing House that it has obtained such agreement.

**Rule 1608** ***Governing Law and Dispute Resolution***

(a) Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of Parts 3, 5 and 16 of the Rules inasmuch as they relate solely to an issue or matter concerning:

(i) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or

(ii) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in Part 1 of the Rules (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

(b) For the avoidance of doubt, Rule 1608(a) is an exception to Rule 102(s) which provides that the Rules and Contracts shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding Rule 1608(a), the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

(i) all of the provisions of the Rules concerning the calculation and determination of any net sum (except to the extent expressly provided in Rule 1604(d)) and the other

default rules of the Clearing House, including all the provisions of Parts 9 and 11 of the Rules;

(ii) all of the provisions of the Rules relating to the Designated System, including all the provisions of Part 12 of the Rules;

(iii) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal on the one hand and the Clearing House on the other hand;

(iv) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;

(v) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal;

(vi) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and

(vii) the Contract Terms of all Contracts.

(c) Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "New York Courts"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

(i) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and

(ii) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.

(d) All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to Rule 1608(c), does not amount to a waiver by that party of its right to

commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) heard in the New York Courts.

(e) Nothing in this Rule 1608 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.

(f) EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE RULES OR ANY CONTRACT OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:

(i) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PERSON BOUND BY THESE RULES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF ANY SUCH DISPUTE, SEEK TO ENFORCE THE FOREGOING WAIVER; AND

(ii) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THESE RULES, ALL CONTRACTS AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THESE RULES, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Rule 1608(f).

**Rule 1609** ***Modifications to Pledged Collateral Addendum***

(a) The following provisions of each Pledged Collateral Addendum governed by New York and U.S. law have been amended pursuant to clause 4.2 thereof by virtue of the adoption of these provisions of the Rules:

(i) In clause 2.8, the deletion of the words: "(and to procure that any third party takes any action reasonably requested by the Clearing House)".

(ii) Clause 2.11, to the extent that any amendment may be regarded as necessary to give effect to Rule 1605(g).

(iii) In clause 3.5, the replacement of the words "the Clearing House" with the words "either party".

(iv) In clause 2.7, the definition of the term "Encumbrances" does not include retention of title.

(v) Any other provision of the Pledged Collateral Addendum to the extent that any amendment may be regarded as necessary to give effect to Rule 1603(i).

## Part 17 Foreign Exchange

Part 17 of the Rules does not apply to F&O Contracts or CDS Contracts. References to any Account in this section are references only to an Account in which FX Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly.

### Rule 1701 *Definitions*

(a) The term "**Currency Pair**" means, in relation to an FX Contract or FX Trade Particulars submitted for Clearing, the Reference Currency and the Settlement Currency.

(b) The term "**FX Default Committee**" shall have the meaning given to that term in the FX Procedures.

(c) The term "**FX Default Management Policy**" means the FX default management policy in the form approved by the Clearing House, as amended pursuant to processes established pursuant to documents governing the internal governance of the Clearing House and its committees.

(d) The term "**FX Market Price**" means, in relation to any Financially-Settled FX Contract, on any day, the price which the Clearing House determines is to be treated, for the purposes of these Rules and the Procedures as the value of such Financially-Settled FX Contract at the closing of such day, calculated in the FX MTM Currency for that Financially-Settled FX Contract.

(e) The term "**FX MTM Currency**" means, in relation to any FX Contract, the currency in which FX Mark-to-Market Margin will be payable in respect of that FX Contract.

(f) The term "**FX Procedures**" means the section of the Procedures of that name, which is relevant only to the Clearing of FX Contracts.

(g) The term "**Reference Currency**" means (a) in relation to a Financially-Settled FX Contract, the currency specified as the reference currency in the Clearing House's records, being the currency other than that in which cash settlement is to be made and (b) in relation to FX Trade Particulars submitted for Clearing, the currency specified as such in the relevant FX Confirmation.

(h) The term "**Settlement Currency**" means (a) in relation to a Financially-Settled FX Contract, the currency specified as such in the Clearing House's records, being the currency in which cash settlement is to be made on the FX Settlement Date and (b) in relation to FX Trade Particulars submitted for Clearing, the currency specified as such in the relevant FX Confirmation.

(i) The term "**Settlement Rate**" means in relation to a Financially-Settled FX Contract, for the relevant FX Settlement Date, the currency exchange rate, expressed as the amount of Reference Currency per one unit of Settlement Currency, determined by the Clearing House in accordance with the Rules and the Procedures as the settlement rate for the

relevant Set of Financially-Settled FX Contracts which includes that Financially-Settled FX Contract.

(j) The term "**Spot Price**" means, for a Currency Pair, the notional foreign exchange rate between the two currencies in the Currency Pair for "spot" delivery having a cash settlement value of zero, as determined by the Clearing House by reference to the terms of the relevant Financially-Settled FX Contract.

(k) The term "**Standard Maturities**" means the specified standard maturities for the provision of pricing data relating to FX Contracts by Clearing Members, as specified by the Clearing House in a Circular, either in respect of particular Currency Pairs or generally.

(l) Any term used but not defined in this Part 17 or elsewhere in the Rules shall have the meaning given to that term in the FX Procedures.

**Rule 1702** ***Financially-Settled FX Contracts***

(a) Each Business Day, the Clearing House will determine or amend the FX Market Price for all Financially-Settled FX Contracts, per Currency Pair, for each maturity in respect of which it is party to one or more Financially-Settled FX Contracts in accordance with the Procedures. The Clearing House will also determine Settlement Rates for Financially-Settled FX Contracts in accordance with the Contract Terms and the Procedures.

(b) Each FX Clearing Member shall be obliged to provide, to the Clearing House on each Business Day, for all Currency Pairs, Spot Prices and forward points for all the Standard Maturities in respect of Financially-Settled FX Contracts. The Clearing House may consolidate price data from these and other sources to determine FX Market Prices for Financially-Settled FX Contracts and will determine such prices for Financially-Settled FX Contracts that do not then match a Standard Maturity by such interpolation methodology as the Clearing House shall consider appropriate.

(c) The Clearing House shall be entitled in certain circumstances to amend or to postpone, defer, cancel, bring forward or suspend publication of any FX Market Price or Settlement Rate as set out in the Procedures.

**Rule 1703** ***FX 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 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 disapplied only to the extent that any matter is eligible for determination by an FX Default Committee in accordance with the FX Procedures. This Rule applies in respect of an FX Default Committee unless and until such committee resolves not to determine the matter concerned.

(b) Notwithstanding its rights set out in Part 9, or any other analogous Rule, following an Event of Default of a Person other than the Clearing House, the Clearing House shall follow the arrangements as set out in the FX Default Management Policy and the exercise of its rights pursuant to Part 9 shall be consistent with and in support of the FX Default Management Policy, except as set out in this provision. The Clearing House's rights under Part 9 of the Rules shall not be restricted by virtue of this provision to the extent that any action other than pursuant to the FX Default Management Policy is taken in accordance with Rule 1707(c).

(c) The Clearing House may from time to time override the implementation or application of the FX Default Management Policy to the Clearing House or as against some or all of the FX Clearing Members or in respect of one or more Defaulters, subject to prior consultation with the FX Default Committee unless Rule 109(b)(i) or (ii) would apply were the FX Default Management Policy to be Rules and were such overriding to have been effected pursuant to an amendment to the FX Default Management Policy. The override of the implementation or application of the FX Default Management Policy may only be brought into effect where the Clearing House deems it necessary to manage material risks of the Clearing House or the Clearing Members or any Market (where material risks are those which could materially adversely impact the ongoing financial soundness or the proper performance of the Clearing House or the Clearing Members or the proper functioning of any Market) or is otherwise required to meet the Clearing House's continuing legal or regulatory obligations under Applicable Law. Any determination by the Clearing House to override the implementation or application of the FX Default Management Policy shall be notified to FX Clearing Members.

**Rule 1708** ***Clearing data relating to FX Contracts***

(a) Notwithstanding Rule 102(j) or anything else to the contrary in the Rules, in no event will a Clearing Member be liable for any conduct of a Customer of such Clearing Member or such Customer's clients with respect to the use of, or other actions taken with respect to, clearing data in respect of FX Clearing at the Clearing House ("**FX Data**") by such Customer or such Customer's clients if, prior to sharing such FX Data with such Customer, the Customer has agreed that it:

(i) may reproduce, transmit, distribute or use FX Data (to the extent generated whilst the Clearing Member which has (or whose Affiliate has) ultimately provided it with FX Data remains an FX Clearing Member) solely and exclusively for internal purposes related directly to such Customer's, its Affiliates' and their clients', trading and clearing activity relating to FX Clearing at the Clearing House;

(ii) may license, sublicense, transfer, transmit, reproduce and/or distribute copies of the FX Data (to the extent generated whilst the Clearing Member which has (or whose Affiliate has) ultimately provided it with FX Data remains an FX Clearing Member) to its Affiliates and clients, which may in turn license, sublicense, transfer, transmit, reproduce and/or distribute such FX Data only to their direct and indirect clients (each Affiliate, client or client's direct or indirect client that receives such FX Data, a "**Data Recipient**", each client or client's direct or indirect client that distributes such FX Data, a "**Data Distributer Client**," and each Affiliate that distributes such FX Data, a "**Data Distributer Affiliate**"), solely and exclusively to the extent such FX Data is related directly to such Data Recipient's trading and clearing activity relating to FX Clearing at the Clearing House and provided that such Data Recipient has agreed that it may:

(A) license, sublicense, transfer, transmit, reproduce and/or distribute such FX Data solely to (x) an Affiliate of such Data Recipient or (y) a different Data Recipient (other than an Affiliate of such Data Recipient) that in either case

has agreed with such Customer to comply with restrictions on similar terms to those set out in this Rule 1708 applying to it as such restrictions would apply to the Customer (including the Data Obligations) *mutatis mutandis*; or

(B) reproduce, transmit, distribute or use such FX Data only for its own internal use,

in either case solely for purposes related directly to trading and clearing activity relating to FX Clearing at the Clearing House;

(iii) shall satisfy its Data Obligations as and to the extent provided in this Rule 1708 (which shall be interpreted in the case of a licensor that is not a Customer as if such licensor were a Customer) (the "**Permitted Use Agreement**"), which Permitted Use Agreement may be in any form, including such Data Recipient's agreement to comply with these Rules, so long as such Permitted Use Agreement is legally binding; and

(iv) in each case that it becomes aware (from the Clearing House, a Clearing Member, one of their Affiliates, a client or otherwise) that any Data Recipient to which it has directly distributed FX Data is, or is reasonably suspected (as determined in its sole discretion) of being, in violation of the Permitted Use Agreement (or would be in breach of a Permitted Use Agreement, should such agreement have been in place), shall, to the extent permitted by Applicable Law (the following obligations in (A) to (C) below being the "**Data Obligations**"):

(A) promptly notify the Clearing House and the Person that provided it with the FX Data (if different) in writing of the name of such Data Recipient and provide a reasonably detailed explanation of the nature of such Data Recipient's violation, or the circumstances giving rise to the suspicion of a violation or would-be violation, of the Permitted Use Agreement;

(B) take such actions as the Clearing House, the Person that provided it with the FX Data (if different) or any of their Affiliates may reasonably request to cause such Data Recipient to cease violating the terms of the Permitted Use Agreement (or, if no Permitted Use Agreement is in place, to cease violating the terms of a Permitted Use Agreement should such agreement have been in place) including, among other things, ceasing the provision of FX Data to any Data Recipient with which it or one of its Affiliates has a direct relationship by which it provides FX Data or suspending such Data Recipient's direct or indirect use of FX Clearing at the Clearing House through such Customer, until the time as such Data Recipient is in compliance with the Permitted Use Agreement (or, if no Permitted Use Agreement is in place, in compliance with the terms of a Permitted Use Agreement should such agreement have been in place); and

(C) when requested by the Clearing House, the Person that provided it with the FX Data (if different) or any of their Affiliates pursuant to its other Data Obligations, cease the provision of FX Data to a Data Recipient if and when the Clearing House, the Person that provided it with the FX Data (if different) or any of their Affiliates reasonably suspects (as determined by the Clearing House, such Person or such Affiliate, as applicable, in its sole discretion) that such Data Recipient is in violation of the Permitted Use Agreement (or would be in violation of a Permitted Use Agreement, should such agreement have been in place).

(b) Nothing in this Rule 1708 shall impose any obligation on any Clearing Member, Customer or any of their Affiliates to monitor their Customers' or clients' use of FX Data or to independently investigate actual or suspected breaches of the Permitted Use Agreement, subject as set out in Rule 1708(a)(iv)(C).

(c) Nothing in this Rule 1708 shall prevent or restrict any Person from:

(i) using its own data relating to its own trading developed by such Person independently of, and without reference to, any FX Data; or

(ii) providing any FX Data to any Governmental Authority as necessary to comply with any Applicable Law (including, for the avoidance of doubt, any request of a Governmental Authority).

(d) It is intended that a Customer or any other Person may agree to the application of the restrictions and obligations set out in this Rule 1708 by agreeing with a Person that provides FX Data to such Customer or Person that the Rules are applicable to or contractually bind such Customer or Person (and, for the avoidance of doubt, it is intended that by so agreeing, the Customer or such Person thereby affirmatively agrees to comply with subsections (i) through (iv) of paragraph (a) hereof).

## Part 18 Transition Rules for LIFFE in 2013

### Rule 1801 *Introduction*

(a) These Transitional Rules deal with certain matters occurring at and around the Novation Time. These Transitional Rules form part of the Rules and are intended to be interpreted together with the Rules. All terms used but not defined in these Transitional Rules have the meaning given to them elsewhere in the Rules. In the event of any conflict between the Rules and these Transitional Rules in relation to any matter to which these Transitional Rules relate, these Transitional Rules shall prevail.

(b) These Transitional Rules will cease to apply on a date notified by the Clearing House to Clearing Members in a Circular, following such consultation with LIFFE and LCH as has been agreed to take place as between the Clearing House, LIFFE and LCH.

### Rule 1802 *Additional Definitions*

(a) The term "**Cash Collateral Transfer Form**" means a form provided by a Cash Transferring Member to the Clearing House and accepted by the Clearing House, the form of which is set out in the annex to Clearing Member Cash Instructions, including details of the amounts of Transferring Cash for that Cash Transferring Member.

(b) The term "**Cash Transferring Member**" means a LIFFE Clearing Member that has duly executed Clearing Member Cash Instructions, has provided the Clearing House with a Cash Collateral Transfer Form and has duly executed and delivered a Deed of Novation.

(c) The term "**Clearing Member Cash Instructions**" means an agreement duly executed by a Cash Transferring Member, LCH, LIFFE and the Clearing House relating to Transferring Cash, in the form specified by the Clearing House.

(d) The term "**Clearing Member Instructions**" means Clearing Member Cash Instructions or Clearing Member Securities Instructions.

(e) The term "**Clearing Member Securities Instructions**" means an agreement in the form of a deed duly executed and delivered by a Securities Transferring Member, LCH, LIFFE and the Clearing House relating to Transferring Securities, in the form specified by the Clearing House.

(f) The term "**Collateral Transfer Form**" means a Cash Collateral Transfer Form or a Securities Collateral Transfer Form.

(g) The term "**Deed of Novation**" means a deed duly executed and delivered by a LIFFE Clearing Member, LIFFE, LCH and the Clearing House in respect of the Novation.

(h) The term "**Delivery Contract**" means, in respect of any 'Registered Exchange Contract' (as the same is defined in the LIFFE Clearing Membership Agreement), the set of payment and delivery rights and obligations arising as between a LIFFE Clearing Member and LCH pursuant to clause 6.7 of a LIFFE Clearing Membership Agreement which, at the Novation

Time, has not been cash settled or otherwise performed, discharged or closed out, void, voided, terminated or rescinded in full, and includes any such Delivery Contract to the extent the same has, as at the Novation Time, been novated from LCH to ICE Clear pursuant to a Deed of Novation; and for the avoidance of doubt, Delivery Contracts include such rights, liabilities and obligations as exist between a LIFFE Clearing Member and LCH in respect of the Northern Rock Contracts at the Novation Time.

(i) The term "**LCH**" means LCH.Clearnet Limited, whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA.

(j) The term "**LCH Delivery Procedures**" means those published procedures governing the performance of delivery obligations, and in relation to deliveries of securities, payment obligations, in relation to Delivery Contracts, being LCH's NYSE Liffe Clearing Procedures (section 2H of the LCH procedures) as published by LCH on its website as at the Novation Time, which in turn reference LIFFE Rules.

(k) The term "**LCH Regulations**" means the rules, regulations, default rules and published procedures of LCH relating to the clearing of LIFFE, as amended from time to time.

(l) The term "**LIFFE Clearing Membership Agreement**" means a clearing membership agreement between a LIFFE Clearing Member, LCH and LIFFE (including, after the Novation Time, such agreement to the extent still applicable as between a LIFFE Clearing Member and LIFFE).

(m) The term "**LIFFE Rules**" means the rules, regulations, default rules and procedures for trading and related clearing on the LIFFE Markets, including, without limitation, book I (Harmonised Rules) (to the extent applicable to LIFFE) and book II (Rules Specific to LIFFE) in each case as amended or supplemented from time to time

(n) The term "**Lodgement Instructions**" means instructions of that name provided by a LIFFE Clearing Member to the Clearing House, the form of which is established pursuant to the Rules.

(o) The term "**Northern Rock Contracts**" means the rights, obligations and liabilities arising out of the LIFFE Northern Rock individual equity options contracts where LIFFE Clearing Members hold positions under such contracts as a 'Registered Exchange Contract' (as defined in the LIFFE Clearing Membership Agreement) immediately prior to the Novation Time.

(p) The term "**Novating Contract**" means an Open Contract or a Delivery Contract.

(q) The term "**Novation**" means the novation of Novating Contracts pursuant to the Deeds of Novation and these Transitional Rules and other matters that occur at the Novation Time pursuant to the Deeds of Novation, Clearing Member Instructions and Collateral Transfer Forms.

(r) The term "**Novation Time**" means the novation time that is determined in accordance with the Deeds of Novation, which will be communicated to LIFFE Clearing Members by the Clearing House.

(s) The term "**Open Contract**" means a contract between a LIFFE Clearing Member and LIFFE made in accordance with the LIFFE Rules as a result of trading or otherwise, which is open immediately prior to the Novation Time and which has not, as at the Novation Time, been cash settled or otherwise performed, discharged or closed out, void, voided, terminated or rescinded in full, and includes all obligations, rights and liabilities as between LIFFE Clearing Members and LIFFE under contracts which have given rise to settlement obligations to the extent that such obligations, rights and liabilities have not been modified and discharged pursuant to clause 6.7 of a LIFFE Clearing Membership Agreement; and for the avoidance of doubt, Open Contracts include such rights, liabilities and obligations as exist between LIFFE and a LIFFE Clearing Member in respect of the Northern Rock Contracts at the Novation Time.

(t) The term "**Securities Collateral Transfer Form**" means a form provided by a Securities Transferring Member to the Clearing House and accepted by the Clearing House, the form of which is set out in the annex to Clearing Member Securities Instructions, including details of the Transferring Securities for that Securities Transferring Member.

(u) The term "**Securities Transferring Member**" means a LIFFE Clearing Member that has duly executed and delivered Clearing Member Securities Instructions and a Deed of Novation and has provided the Clearing House with a Securities Collateral Transfer Form and Lodgement Instructions.

(v) The term "**Transitional Cash Collateral Deadline**" means 11:00 a.m. on the Friday immediately following the Novation Time.

(w) The term "**Transitional Rules**" means these transitional rules.

(x) The term "**Transitional Securities Collateral Deadline**" means 11:00 a.m. on the Tuesday immediately following the Novation Time.

(y) The term "**Transferring Cash**" means all cash in the form of Permitted Cover identified in Cash Collateral Transfer Forms in accordance with Clearing Member Cash Instructions, including all rights, interests and titles in, to, or under the same.

(z) The term "**Transferring Securities**" means all Permitted Cover other than cash identified in Securities Collateral Transfer Forms in accordance with Clearing Member Securities Instructions, including all rights, interests and titles in, to, or under the same.

**Rule 1803** ***Contracts***

(a) Notwithstanding Rule 401(a) and Rule 401(b), any Contract that would otherwise arise pursuant to Rule 401(a) or Rule 401(b) prior to the Novation Time due to trading on or reporting to LIFFE prior to the Novation Time shall not arise unless it is subject to the

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 transferred Permitted Cover in the form of cash 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

(B) for Securities Transferring Members only: from the Novation Time until the Transitional Securities Collateral Deadline, securities fungible with the

Transferring Securities identified in Securities Collateral Transfer Forms to the extent that the same are held in accounts of LCH for the benefit of the Clearing House in accordance with the Clearing Member Securities Instructions.

(c) The first sentence of Rule 502(b) shall not apply in relation to Transferring Securities described in Rule 1804(b).

(d) If the Clearing House:

(i) does not receive, in cleared funds into its account at a Concentration Bank, all the Transferring Cash from LCH at or prior to the Transitional Cash Collateral Deadline;

(ii) does not receive Permitted Cover fungible with all the Transferring Securities in respect of any Securities Transferring Member at or prior to the Transitional Securities Collateral Deadline in its normal custody accounts as specified pursuant to the Finance Procedures; or

(iii) determines at its discretion (which determination may be made prior to the Transitional Cash Collateral Deadline or Transitional Securities Collateral Deadline, as applicable) that it is unlikely to receive cash equal to any amount of Transferring Cash or Permitted Cover fungible with any Transferring Securities at or prior to the Transitional Cash Collateral Deadline or the Transitional Securities Collateral Deadline respectively,

the Clearing House shall be entitled to disapply Rule 1804(b)(i) in respect of a particular LIFFE Clearing Member or particular Permitted Cover or all or some LIFFE Clearing Members or Permitted Cover, as applicable. In such circumstances, any affected LIFFE Clearing Member shall be liable to pay the Clearing House such amounts in respect of Margin and other liabilities as are due pursuant to the Rules without taking into account any value attributed to Transferring Cash or Transferring Securities held in the manner described in Rule 1804(b)(i). The Clearing House will either issue a Circular whenever this Rule 1804(d) applies, if a number of LIFFE Clearing Members are affected, or otherwise shall notify any LIFFE Clearing Member affected, LIFFE and LCH.

(e) In the event of any conflict, the provisions of the Rules and Procedures relating to interest or collateral charges do not apply to the extent that the same are inconsistent with the provisions of the Deed of Novation, Clearing Member Cash Instructions or Clearing Member Securities Instructions.

(f) Interest or collateral charges due to or from a Clearing Member on Transferring Cash in respect of the period until close of business on the day of the Novation Time will be payable to or by such Clearing Member by or to LCH (in relation to any transferred Transferring Cash and any interest payable by LCH only to the extent that LCH receives interest payments from the Clearing House). Interest or collateral charges due to or from a Clearing Member on Transferring Cash in respect of the period after close of business on the day of the Novation Time will be payable to or by a Clearing Member by or to the Clearing House

(in relation to any interest payable by the Clearing House or any untransferred Transferring Cash only to the extent that the Clearing House receives interest payments from LCH). Any interest or collateral charges in respect of Transferring Cash which is held by LCH shall be due or charged at LCH's published rates. Any interest or collateral charges in respect of Transferring Cash which has been received by the Clearing House shall be due or charged at the Clearing House's published rates. Clearing Members shall pay the Clearing House or LCH interest or collateral charges on Transferring Cash as notified by either the Clearing House or LCH or may be paid interest on Transferring Cash by either the Clearing House or LCH, including in respect of amounts which pursuant to Clearing Member Cash Instructions would be payable by or to the other clearing house, where, for reasons of administrative convenience, the Clearing House or LCH agree to act as collection or paying agent on behalf of the other.

(g) In relation to securities representing the Transferring Securities only:

(i) any income or redemption amounts due to LIFFE Clearing Members on securities representing Transferring Securities received by LCH after the Novation Time shall be payable by LCH to LIFFE Clearing Members:

(A) to the extent the same relates to the period prior to the Novation Time, calculated on the basis of the rates, fee schedules, charges and arrangements for the passing-on of income or redemption amounts of LCH for its clearing members in respect of the LIFFE Markets on securities provided as 'cover' (as that term is used in the LCH Regulations) as at the Novation Time; and

(B) to the extent that LCH receives an equivalent amount from the issuer or its agent after the Novation Time but such amount relates in whole or in part to a payment that relates to the period after the Novation Time, as agent for the Clearing House, and calculated on the basis of the rates, fee schedules, charges and arrangements for the passing-on of income or redemption amounts of the Clearing House for LIFFE Clearing Members on securities provided as Permitted Cover as at Novation Time and such payment shall discharge any liability of the Clearing House and LCH to pay such income or redemption amounts to LIFFE Clearing Members; and

(ii) any income or redemption amounts due to LIFFE Clearing Members on securities representing Transferring Securities received by the Clearing House, regardless of the time of receipt, shall be payable by the Clearing House to LIFFE Clearing Members in accordance with the Rules calculated on the basis of the rates, fee schedules and charges levied by the Clearing House on LIFFE Clearing Members for income or redemption amounts on securities provided as Permitted Cover as at Novation Time. To the extent any such income or redemption amount relates to the time prior to the Novation Time, such payment shall discharge any liability of LCH to pay such income or redemption amounts to LIFFE Clearing Members.

(h) In relation to securities representing the Transferring Securities and cash, to the extent these:

(i) are not transferred to the account of the Clearing House, LIFFE Clearing Members shall to pay to LCH any fees and charges levied by LCH calculated on the basis of the fees and charges levied by LCH to its clearing members in respect of the LIFFE Markets as at the Novation Time; and

(ii) are transferred to the account of the Clearing House, LIFFE Clearing Members shall pay to the Clearing House any fees and charges levied by the Clearing House calculated on the basis of the fees and charges levied by the Clearing House to LIFFE Clearing Members as at the Novation Time.

(i) For FCM Clearing Members that have executed Clearing Member Cash Instructions, cash margin will not be treated as subject to the Pledged Collateral Addendum until such time as cash is actually received in the Clearing House's Concentration Account from LCH and credited in the name of the relevant FCM Clearing Member, and the representation and warranty provided by such FCM Clearing Member pursuant to Clause 2.2(vi) of the applicable Clearing Member Cash Instructions shall cease to have effect at such time. For FCM Clearing Members that have executed Clearing Member Securities Instructions, securities will not be treated as subject to the Pledged Collateral Addendum until such time as relevant securities are received in the Clearing House's account (other than at LCH) and credited in the name of the relevant FCM Clearing Member, and the representation and warranty provided by such FCM Clearing Member pursuant to Clause 2.2(viii) of the applicable Clearing Member Securities Instructions shall cease to have effect at such time. Prior to such time, such securities shall be treated as if provided under a title transfer arrangement, pursuant to the Clearing Member Securities Instructions.

**Rule 1805** ***Delivery Contracts***

(a) LCH and LIFFE have each agreed to administer certain deliveries of Deliverables pursuant to Delivery Contracts as agent for the Clearing House.

(b) Satisfaction of the relevant provisions of the Delivery Procedures, LCH Regulations and LIFFE Rules applicable to: (i) the making and taking of physical deliveries; (ii) the delivery and receipt of notices and forms in respect of deliveries; (iii) in respect of securities deliveries, making and receiving corresponding cash payments; and (iv) in respect of deliveries other than securities deliveries, the making of cash payments to a LIFFE Clearing Member acting as Seller to a relevant Delivery Contract where, prior to the Novation Time payment was due or has been received by LCH from the LIFFE Clearing Member that is the Buyer in the corresponding Delivery Contract, in all cases at the times and in the manners required pursuant to the Delivery Procedures, LCH Regulations and LIFFE Rules, shall constitute due performance for the purposes of the 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 transferred the required F&O Guaranty Fund Contributions (including any increase to previous F&O Guaranty Fund Contributions) to the Clearing House at least five Business Days prior to the scheduled Novation Time.

## Part 19 Sponsored Principals

### Rule 1901 *Attaining status of a Sponsored Principal*

(a) Sponsors must be Clearing Members and must meet the Clearing House's membership criteria and other obligations in relation to Customers as set out in Part 2 of the Rules in the same way as a Clearing Member would be required to do so in relation to a Customer that is not a Sponsored Principal.

(b) In order to attain and maintain the status of a Sponsored Principal, a Person must, at a minimum, as from the date on which it is proposed that it become a Sponsored Principal:

(i) have paid the Clearing House's (non-refundable) application fee for Sponsored Principals and provided completed application forms;

(ii) be a user of or otherwise have access to at least one Repository (if any) for the Contracts it proposes to clear;

(iii) (if proposing to become a Sponsored Principal in relation to CDS Contracts), if any CDS Trade Particulars are submitted for Clearing which relate to a Bilateral CDS Transaction registered at Deriv/SERV in the name of an Affiliate of the Sponsored Principal, have provided an executed authority, in a form acceptable to the Clearing House, from the relevant Affiliate, pursuant to which the Clearing House is authorised to terminate the records in Deriv/SERV in respect of Bilateral CDS Transactions to which the Affiliate is party;

(iv) (if proposing to become a Sponsored Principal in relation to FX Contracts) be a settlement member of, or have an Affiliate (through which it can settle FX transactions) which is a settlement member of, an FX Settlement Facility;

(v) have nominated a Person, satisfactory to the Clearing House, who is (A) a director, general partner, trustee or officer of the applicant (or Person occupying a similar status or performing similar functions), (B) responsible for the clearing operations of the applicant and (C) authorised to act on behalf of the applicant in all transactions with or involving the Clearing House, and, unless the Sponsored Principal is an individual or a sole trader, have nominated a second Person who meets the requirements of (A) above and 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;

(vi) unless it is an individual or sole trader, maintain and, where applicable, procure that all of its Designated Controllers maintain, the minimum amount of Capital required by the Clearing House or (if it is a collective investment scheme, individual or sole trader) assets or net assets (as defined in article 49(2)(A), article 49(6) or schedule 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as applicable) of the same amount;

(vii) 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;

(viii) be party to a Sponsored Principal Clearing Agreement;

(ix) have been designated as a Sponsored Principal in writing to the Clearing House by a Sponsor that is not a Defaulter, pursuant to a Sponsor Agreement;

(x) not be subject to an Insolvency or Unprotected Resolution Step;

(xi) hold a Nominated Bank Account or Accounts in its name (or, in the alternative, the Sponsor's name) at an Approved Financial Institution or Institutions in relation to each of which a direct debit mandate has been established in favour of the Clearing House;

(xii) have pre-funded a minimum amount of Margin specified by the Clearing House to a Nominated Bank Account, which amount will be transferred to a Clearing House Account prior to the date of attaining Sponsored Principal status;

(xiii) 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;

(xiv) be incorporated or registered in and access the Clearing House from only jurisdictions whose Applicable Laws relating to Insolvency, 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;

(xv) be an "eligible contract participant", as defined in Section 1a of the U.S. Commodity Exchange Act;

(xvi) if it is not incorporated in England and Wales, have appointed an agent for the service of process pursuant to Rule 1901(n); and

(xvii) not be subject to statutory disqualification under Applicable Law.

(c) Where a Sponsored Principal is a fund, some or all of the criteria in Rule 1901(b) may, at the discretion of the Clearing House, be met by the fund manager.

(d) A Sponsored Principal must at the time of application and on a continuing basis thereafter, comply with the following further requirements (and a Sponsored Principal shall verify to

its Sponsor's satisfaction at the time of application or any transfer to a new Sponsor that such Sponsored Principal):

(i) has 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;

(ii) is fit and proper, has sufficient qualities of financial responsibility, operational capacity, business integrity, reputation and competence;

(iii) has such facilities, equipment, operational capability, personnel, hardware and software systems as are capable of supporting the proper performance of its business as a Sponsored Principal, including such IT links to the Clearing House and Sponsor and software as are necessary;

(iv) has in place business continuity procedures that satisfy the Clearing House's minimum requirements applicable to Clearing Members;

(v) has a sufficient level of knowledge about the types of Contracts that it intends to clear and any risks involved in relation to the same;

(vi) is either a Person that is not a natural person or a Person that is subject to business taxation for the purposes of Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments;

(vii) is not subject to any circumstances pursuant to which an Event of Default could be declared were the Sponsored Principal to be a Clearing Member;

(viii) has provided details of an office which is staffed during normal business hours and sufficient for its proposed activities as a Sponsored Principal under the direct supervision and responsibility of an executive officer of the Sponsored Principal (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;

(ix) if it is to clear CDS, is a member of, or has access to, at least one physical settlement system that is customary for the settlement of all potentially applicable Deliverable Obligations under all CDS Contracts of all Sets which it is authorised to enter into, where such a physical settlement system exists;

(x) is an eligible contract participant, as defined in Section 1a of the Commodity Exchange Act;

(xi) has officers, directors and Controllers that 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;

(xii) either (A) is a Person in respect of whom 'simplified due diligence' may be applied pursuant to the Money Laundering Regulations 2007; or (B) has been subject to

customer due diligence measures by the Sponsor under the Money Laundering Regulations 2007; and

(xiii) is not prevented from entering into any Contract or using the Clearing House (nor is the Sponsor prevented from servicing the Individually Segregated Sponsored Account) as a result of any Sanctions affecting the Sponsored Principal, Sponsor or any of their assets (except, solely in respect of CDS clearing, if the Sponsor or Sponsored Principal is incorporated in Germany, solely to the extent that any obligation, or undertaking, representation or statement contemplated by this Rule 1901(d)(xiii) would be in conflict with any Applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts).

(e) Some or all of the criteria in Rule 1901(b) (except those set out in paragraphs (v), (vi), (x), (xi), (xii) or (xiii)) shall, at the discretion of the Sponsor, be deemed to be met on the part of the Sponsored Principal by the Sponsor, to the extent that the Sponsor takes on responsibility for servicing the Individually Segregated Sponsored Account or related Nominated Account. If the Sponsored Principal is a fund, some or all of the criteria in Rule 1901(b) (except those set out in paragraphs (v), (vi), (x), (xi), (xii) or (xiii)) may, at the discretion of the Sponsor, be deemed to be met on the part of the Sponsored Principal by the fund manager to the extent that the fund manager takes on responsibility for servicing the Individually Segregated Sponsored Account or related Nominated Account.

(f) The Clearing House may at its discretion attach further objective conditions to any application for Sponsored Principal status prior to such status being granted. 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.

(g) Applicants for Sponsored Principal status 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 1901(b). Applicants for Sponsored Principal status must provide information or documentation to their Sponsor (who shall, on request, be obliged to transfer on any of the same to the Clearing House) evidencing compliance (or lack thereof) with each of the criteria set out in or required pursuant to Rule 1901(d). Failure to supply such information or documentation to the Clearing House may result in an application being rejected or Sponsored Principal status being revoked.

(h) If the Clearing House determines that an application for Sponsored Principal status should be denied, the applicant will be given notice of such denial. In such an event, the applicant may request an opportunity to be heard by the Clearing House's Board (or an appropriately constituted sub-committee of the Board) in relation to the matter and to present evidence as to why its application should not be denied or may raise a complaint which the Clearing House will deal with in the same way as if Part 10 applied to such complaint (notwithstanding that the Rules do not apply to the complaint).

(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), (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 service of process issued out of the courts of England and Wales in relation to any arbitration commenced pursuant to Rule 117 or the Sponsored Principal Clearing Agreement and shall deliver to the Clearing House an agreement substantially in the form specified by the

Clearing House relating to such appointment countersigned by such agent. No Sponsored Principal shall give any notice of revocation to, or otherwise terminate the appointment of, any such agent unless prior to such termination it has validly appointed a replacement agent in England and Wales reasonably acceptable to the Clearing House to accept service of process issued out of the courts of England and Wales in relation to any arbitration commenced pursuant to Rule 117 or the Sponsored Principal Clearing Agreement and has delivered to the Clearing House a copy of that agent's acceptance of that appointment substantially in the form specified by the Clearing House countersigned by such agent. If for any reason any agent appointed under Rule 113(e) ceases to be such an agent, the Sponsored Principal shall forthwith appoint a replacement agent in England and Wales and deliver to the Clearing House a copy of the new agent's acceptance of that appointment substantially in the form specified by the Clearing House countersigned by such agent within 10 Business Days of such appointment. Nothing in these Rules, the Procedures, a Sponsored Principal Clearing Agreement or any Contract shall affect the right of the Clearing House to serve process in any other manner permitted by law.

(o) Sponsors are responsible for ensuring satisfaction by Sponsored Principals of the requirements of Rule 1901(b) and (d) and for ensuring that Sponsored Principals comply with their obligations with respect to clearing at the Clearing House.

**Rule 1902** ***Rights and liabilities of Sponsored Principals and Sponsors***

(a) The relevant Sponsored Principal and Sponsor shall each be jointly and severally liable, with one another, in each case as principal and without limitation, to the Clearing House in respect of all obligations and liabilities arising in connection with the Individually Segregated Sponsored Account and all Contracts recorded in it.

(b) A Sponsor may be subject to increased Guaranty Fund Contribution requirements as a result of acting as Sponsor for Individually Segregated Sponsored Accounts, and the amount by which its Guaranty Fund is increased as a result of acting as Sponsor for each of its Individually Segregated Sponsored Accounts will be reported upon by the Clearing House to the Sponsor. This calculation shall not restrict the liability of the Sponsor in respect of its entire Guaranty Fund Contributions (and not solely any increase related to a particular Account) in respect of each and every Individually Segregated Sponsored Account. (This Rule 1902(b) is without prejudice to the rights of the Clearing House under Rule 901(d), Rule 904, Rule 906, Rule 1902(a) and otherwise to apply other assets to an Individually Segregated Sponsored Account following an Event of Default affecting the Sponsor.) For the avoidance of doubt, there will be no call of Assessment Contributions from the Sponsor following an Event of Default of a Sponsored Principal, unless Assessment Contributions are called from other Clearing Members contributing relevant Guaranty Funds under Part 9 and 11 of the Rules, in which case the Sponsor shall be liable on a similar basis to other Clearing Members. The absence of any status of "Representative" of the Sponsored Principal for the Sponsor in any circumstances shall not affect the liability of the Sponsor under these Rules, the Individually Segregated Sponsored Account or any Contract.

(c) The Clearing House will make payments and performance to the Sponsored Principal (and the Sponsored Principal shall be solely entitled itself to receive all performance from the Clearing House) in respect of an Individually Segregated Sponsored Account except to the extent that any different arrangements for a Sponsor are established in accordance with Part 9, this Rule 1902(c) or Rule 1902(e) with the consent of or on the initiative of the Clearing House, in which case the relevant payment or performance will be made to the Sponsor or such other Person to whom payment is due under Part 9. In the absence of any arrangements with the Clearing House to the contrary, the Sponsored Principal must therefore establish an account in its own name at an Approved Financial Institution (which Approved Financial Institution may be, or may be an Affiliate of, its Sponsor) for the making of payments to and receiving of payments from, the Clearing House. The Sponsored Principal and Sponsor may arrange for the Sponsor instead to be operationally responsible for meeting Margin and other calls relating to an Individually Segregated Sponsored Account from one of the Sponsor's own accounts at an Approved Financial Institution.

(d) To the extent permitted by Applicable Laws, the Clearing House will make any payment or perform any other obligation to the Sponsor (or another Person nominated by the Sponsored Principal for purposes of receiving performance to the account or to the order of the Sponsor or Sponsored Principal) in respect of an Individually Segregated Sponsored Account, if the Sponsored Principal and Sponsor so request jointly in writing and this request is accepted by the Clearing House or as permitted under Part 9. This may occur, for example, where delivery obligations under an F&O Contract are performed to a Transferee (which may be the Sponsor) or, in respect of payments, if the Sponsor is the account holder of the Nominated Bank Account linked to the Individually Segregated Sponsored Account. In such circumstances, the Sponsor or other Person will act as the Sponsored Principal's Representative. Whether the Clearing House makes any payment or performs any other obligation in connection with an Individually Segregated Sponsored Account or Contract to the Sponsor or the Sponsored Principal or otherwise to the account or to the order of the Sponsored Principal in accordance with Rule 1902(c) and this Rule 1902(d): (i) such payment or performance to the extent made shall satisfy and discharge the obligations of the Clearing House to the Sponsored Principal and any obligations of the Clearing House to the Sponsor; and (ii) where payment or performance is made to the Sponsored Principal (or to its account or order, other than to the account of the Sponsor), such payment or performance to the extent made shall be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsor pursuant to the related Customer-CM Transaction.

(e) To the extent permitted by Applicable Laws, a Sponsored Principal may (provided that it requests to do so in writing and this request is accepted by the Clearing House), outsource performance of any of its obligations under the Rules to a Sponsor or other Person who agrees to such arrangements, but will remain fully liable to the Clearing House for such performance notwithstanding the outsourcing. This may occur, for example, where delivery obligations under an F&O Contract are performed by a Transferor (which may be the Sponsor) or, in respect of payments, if the Sponsor is the account holder of the Nominated Bank Account linked to the Individually Segregated Sponsored Account. In such circumstances, the Sponsor or other Person will act as the Sponsored Principal's

Representative. Whether the Sponsor or Sponsored Principal makes any payment or performs any other obligation in connection with an Individually Segregated Sponsored Account or Contract to the Clearing House: (i) such payment or performance to the extent made shall satisfy and discharge the obligations of both the Sponsor and the Sponsored Principal to the Clearing House; and (ii) where payment or performance is made by the Sponsored Principal, such payment or performance to the extent made shall be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsored Principal pursuant to the related Customer-CM Transaction.

(f) The Clearing House shall be entitled to receive and act upon instructions, notifications, notices and forms (whether in electronic or paper format) in respect of an Individually Segregated Sponsored Account from either the Sponsor or the Sponsored Principal without further reference to any other party, including in relation to the entry into, modification, exercise, netting and termination of Contracts, the making and receipt of payments and other transfers of Permitted Cover and the giving and receipt of notices under Contracts or the Rules. Each of the Sponsor and Sponsored Principal shall be entitled as joint holders of the Individually Segregated Sponsored Account to give such instructions, notifications, notices and forms and hereby shall be deemed to authorise the other to give such instructions, notifications and notices and forms in respect of the Individually Segregated Sponsored Account for such purposes, subject to Rule 901(d) and 904(q)-(s). A Sponsor and a Sponsored Principal may agree among themselves how such rights may be exercised in practice. No arrangement between a Sponsor and Sponsored Principal established under Rule 1902(d) or Rule 1902(e) may be revoked or cancelled without the prior written consent of each of the Clearing House, Sponsor and Sponsored Principal concerned, unless it takes place pursuant to Rule 901(d) or 904(q)-(s). Notwithstanding the foregoing provisions of this Rule 1902(f), the Clearing House will not act on any instruction, notification, notice or form from a Sponsored Principal (and a Sponsored Principal shall not be entitled to deliver the same to the Clearing House): (i) if and as from the time that the Sponsor makes a notification to the Clearing House of a default under an agreement between the Sponsored Principal and the Sponsor under Rule 901(d), until any such time as the Sponsor notifies the Clearing House in writing that the default in question has been cured; or (ii) if any instruction, notification, notice or form delivered by a Sponsored Principal conflicts with any instruction, notification, notice or form delivered by a Sponsor. For the avoidance of doubt, nothing in this Rule 1902(f) is intended to over-ride or disapply the requirements of Rule 401(g), Rule 504, Part 9, any other default rule or any other provision of these Rules or the Procedures prescribing any operational or legal process or requirement relating to any instruction, notification, notice, form, Contract, modification, exercise, netting, termination, payment transfer or other matter, which shall apply in addition to the requirements of this Rule 1902(f).

(g) A Customer-CM Transaction shall arise between each Sponsor (acting for such purposes as if it were the Clearing Member) and the Sponsored Principal (acting for such purposes as if it were the Customer) in respect of each Contract recorded in an Individually Segregated Sponsored Account, at the same times and in the same manner as Customer-CM Transactions would arise pursuant to Rule 401 (n)-(o) and the applicable Standard Terms in respect of a Contract recorded in any other Customer Account. Notwithstanding

the Standard Terms, the terms of each Customer-CM Transaction relating to a Contract recorded in an Individually Segregated Sponsored Account shall be construed such that:

(i) the Sponsor is obliged and liable to perform to the Sponsored Principal under the Customer-CM Transaction, subject to terms of the Cleared Transactions Master Agreement, solely to the extent that the Clearing House performs to the Sponsor in respect of the Individually Segregated Sponsored Account (including if the Nominated Bank Account linked to the Individually Segregated Sponsored Account is in the name of the Sponsor, the Sponsor is appointed as the Sponsored Principal's Transferee or the Sponsored Principal otherwise specifies that performance of any of the Clearing House's obligations should be made instead to the Sponsor pursuant to Rule 1902(d));

(ii) the Sponsored Principal is obliged and liable to perform to the Sponsor (and the Sponsor is obliged and liable to perform to the Sponsored Principal) under the Customer-CM Transaction solely to the extent that: (A) the Sponsor is approved as being operationally responsible for meeting or receiving Margin calls and other transfers of Permitted Cover relating to an Individually Segregated Sponsored Account in accordance with Rule 1902(c) (and in such circumstances, the Sponsor will not act as agent of the Sponsored Principal in receiving or paying any amounts but instead shall act for its own account as principal with an obligation pursuant to the Customer-CM Transaction to account to the Sponsored Principal for a similar amount or asset to each amount or asset received from the Clearing House and with rights pursuant to the Customer-CM Transaction to receive from the Sponsored Principal similar amounts to those paid to the Clearing House or similar assets to those transferred to the Clearing House, in each case subject to the terms of the applicable Customer-Clearing Member Agreement); (B) the Sponsor performs to the Clearing House in respect of the Individually Segregated Sponsored Account (including if the Nominated Bank Account linked to the Individually Segregated Sponsored Account is in the name of the Sponsor, the Sponsor is appointed as the Sponsored Principal's Transferor, performance of any of the Sponsored Principal's obligations is outsourced pursuant to Rule 1902(e) or pursuant to Part 9); (C) the Sponsor's Guaranty Fund Contributions, Surplus Collateral or other assets are applied by the Clearing House to meet a loss or shortfall on the Individually Segregated Sponsored Account upon an Event of Default occurring with respect to the Sponsor or Sponsored Principal, in which case the Sponsored Principal shall be liable to the Sponsor to pay an amount equal to the amount of so applied Guaranty Fund Contributions, Surplus Collateral or other assets; or (D) there is an Event of Default in relation to a Sponsored Principal, in which case: (1) the Sponsored Principal will be liable in full to the Sponsor for the close-out value of replacement Contracts and such other amounts as fall due under the Standard Terms and Customer-Clearing Member Agreement as if the Customer-CM Transaction had been originally recorded in a Customer Account other than an Individually Segregated Sponsored Account; and (2) without prejudice to the generality of the indemnities in Rule 111 and 301, but without duplication of any other obligation under these Rules, the Sponsored Principal, acting solely for its own account as principal, shall indemnify, hold harmless and be liable to the Sponsor and the

Clearing House in respect of all of their losses, unpaid fees, liabilities, damages, injuries, taxes, costs 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 such Persons to Approved Financial Institutions or custodians and any amount payable by such Persons to any other Person in respect of tax in connection with the Sponsored Principal or its Contracts, Margin, obligations or the Event of Default), incurred or suffered by such Person or any of their officers or employees 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;

(iii) the Sponsor may set, change and enforce such position limits and other risk controls in respect of the Individually Segregated Sponsored Account as apply pursuant to the relevant Customer-Clearing Member Agreement;

(iv) nothing in the Rules precludes a Sponsor and Sponsored Principal from agreeing contractually to any event of default or breach or similar event affecting the Sponsored Principal nor precludes the Sponsor from itself declaring a Sponsored Principal to be in default or breach of contract or taking any action consequent on the same, pursuant to Rule 1902(f) or otherwise (subject, if the Clearing House has declared an Event of Default in respect of the Sponsored Principal, to Part 9 of the Rules);

(v) pursuant to the applicable Standard Terms, the terms of the Customer-CM Transaction correspond to and shall be identical (save as expressly provided in this Part 19) to the terms of the equivalent Contract and the terms of the Customer-CM Transaction may be modified only pursuant to or in accordance with the Standard Terms;

(vi) each Customer-CM Transaction gives rise to contractually binding rights and obligations *ab initio*, which rights and obligations are not contingent upon any circumstances, event, contract, obligation or performance (except as set out in Rule 401(n) or (o), as applicable); and

(vii) nothing in these Rules shall restrict any right of the Sponsor in a Cleared Transactions Master Agreement to call the Sponsored Principal for Customer-CM Collateral or to apply such Customer-CM Collateral against liabilities of the Sponsored Principal, nor any right of the Sponsored Principal under a Cleared Transactions Master Agreement to the return of any collateral.

(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 Sponsored Principal. In such a situation, the related Customer-CM Transaction will instead be a transaction between the Clearing Member and its client and a further transaction equivalent to a Customer-CM Transaction shall arise as between the client and the Sponsored Principal. Nothing in these Rules shall prevent the establishment of any other provisions regarding liability as between a Sponsor, Sponsored Principal or client in connection with indirect clearing arrangements provided that a Sponsor and Sponsored Principal shall remain fully liable for their obligations under these Rules, the Sponsor

Agreement and the Sponsored Principal Clearing Agreement notwithstanding the existence of any client or the position of a Sponsored Principal as an indirect client (as opposed to a client).

(j) A Sponsored Principal shall provide its Sponsor with such information as that Sponsor may reasonably request in connection with it acting as Sponsor, including, without limitation, position and Margin data, at such times and frequencies as the Sponsor directs.

(k) If:

(i) the Clearing House is due to make or receive any performance or take any step in relation to Contracts or in respect of Clearing Members or an event occurs or circumstances arise (in any case including but not limited to any change in Applicable Law or any action taken by any Regulatory Authority pursuant to Applicable Law) affecting Contracts or Clearing Members;

(ii) the same performance, step or action cannot under Applicable Laws or due to the circumstances reasonably be taken in relation to a Contract to which a Sponsored Principal is party or in respect of or by a Sponsored Principal or Sponsor in the same way as would be the case were a Clearing Member to have been the only counterparty in question; and

(iii) the Sponsor does not agree to receive any relevant performance or perform any relevant obligation instead of the Sponsored Principal,

then the Clearing House, at its option and discretion, shall be entitled to take equivalent action (or, if it cannot take equivalent action, it is not advisable to do so or equivalent action would not deal with the matter in hand, other appropriate action) in good faith and in a commercially reasonable manner, in relation to a Contract to which the Sponsored Principal is party or with respect to such Sponsored Principal or Sponsor, including but not limited to terminating, or modifying the non-economic terms of a Contract or making adjustments to any determination of amounts paid or payable under a Contract or these Rules.

**Rule 1903** ***General modifications to the Rules for Sponsored Principals, Sponsors and Individually Segregated Accounts***

Notwithstanding any provision of these Rules (other than any provision of this Part 19) or the Procedures to the contrary (except to the extent that any provision of the Rules or Procedures expressly provides for a particular treatment for an Individual Segregated Sponsored Account, Sponsor or Sponsored Principal), in relation to an Individually Segregated Sponsored Account and subject to Rule 1902:

(a) a Sponsored Principal shall have no obligation to transfer or replenish any Guaranty Fund Contribution or to transfer any Assessment Contribution to the Clearing House and no right to return, recovery or reimbursement of the same;

(b) the Sponsored Principal shall have no entitlement in respect of the Guaranty Fund Contributions made by the Sponsor, but this is without prejudice to the right of the Clearing

House to apply such Guaranty Fund Contributions against any loss or shortfall on an Individually Segregated Sponsored Account;

(c) Sponsored Principals will not be responsible for the submission of any pricing data to the Clearing House nor will be required to enter into any Contract as a result of any such submission;

(d) Sponsored Principals may (but will not be obliged to) participate in Default Auctions in accordance with the Default Auction Procedures;

(e) disputes arising in connection with Sponsored Principals and Sponsored Principal Clearing Agreements between a Sponsored Principal and the Clearing House will be subject to the same procedures, jurisdiction, choice of law, forum and other requirements as Disputes;

(f) disputes arising in connection with Sponsors and Sponsor Agreements between a Sponsor and the Clearing House will be subject to the same procedures, jurisdiction, choice of law, forum and other requirements as Disputes;

(g) a Sponsored Principal may make complaints under Part 10 and the Complaint Resolution Procedures and be subject to investigations and sanctions under Part 10, in each case in the same way as a Clearing Member;

(h) the Business Continuity Procedures, Complaint Resolution Procedures, Contract Terms Procedures, Delivery Procedures and Market Rules apply to a Sponsored Principal in the same way as they apply to a Clearing Member;

(i) the Standard Terms and terms of Customer-CM Transactions between a Sponsor and Sponsored Principal shall be interpreted always subject to Rule 1902(g); and

(j) each Sponsored Principal is deemed to agree and undertake that: (i) in addition to the application of Market Rules to Sponsored Principals pursuant to Rule 1903(h), the Market Rules (of each Market that allows trading in Contracts to which the Sponsored Principal is a party) shall apply to Sponsored Principals in accordance with their terms; (ii) any choice of jurisdiction, disciplinary, enforcement, dispute resolution and arbitration provisions set out in any Market Rules shall apply to Sponsored Principals as if such Sponsored Principals were members of the relevant Market, notwithstanding that a Sponsored Principal may not be a member of the relevant Market, except to the extent that the relevant Market Rules provide otherwise; and (iii) to the extent provided for in the relevant Market Rules, each Sponsored Principal shall be deemed to have waived any rights it might otherwise have to object to any choice of law or jurisdiction, proceedings, disciplinary, enforcement, dispute resolution or arbitration provisions in relevant Market Rules on the basis of *forum non conveniens*, statutory immunity, that the governing law or chosen forum is not specified in these Rules or otherwise; accordingly, each Market is entitled to rely upon and enjoy the benefit of the agreements and obligations of the Sponsored Principal under Rule 1903(h) and this Rule 1903(j) and shall have the right to enforce such, agreements and obligations against a Sponsored Principal under the Contracts (Rights of Third Parties) Act 1999,

and the Rules and Procedures shall be construed accordingly.

**Rule 1904** ***Termination of relationship between Sponsor and Sponsored Principal***

(a) Rule 209 shall not apply to termination by a Sponsor or Sponsored Principal of their relationship. Neither the Sponsor nor the Sponsored Principal shall have any right to terminate their relationship with the other party except as expressly provided in this Rule 1904.

(b) A Sponsored Principal may terminate its Sponsor on notice (copied to the Clearing House) or a Sponsor may terminate its Sponsored Principal on notice (copied to the Clearing House), in either case only if there is no Open Contract Position (i.e. zero open Contracts) in all Sets in the relevant Individually Segregated Sponsored Account. Following service of any such notice, neither the Sponsored Principal nor the Sponsor may enter into or cause the entry into of any further Contract on the Individually Segregated Sponsored Account and the Clearing House shall be entitled to close the Individually Segregated Sponsored Account.

(c) A Sponsored Principal may change its Sponsor (or a Sponsor may change its Sponsored Principal) in respect of an Individually Segregated Sponsored Account only if a new Sponsor is accepted to act for the Sponsored Principal by the Clearing House, is party to a Sponsor Agreement and has duly nominated the Sponsored Principal pursuant to the relevant Sponsor Agreement. In such circumstances, the new Sponsor shall be deemed to make all the representations of a Sponsor of an applicant for Sponsored Principal status and Sponsor, as set out in Rule 1901. The Clearing House will specify the date on which the new Sponsor's appointment becomes effective, on which date the new Sponsor shall become responsible for and entitled in respect of the Individually Segregated Sponsored Account and the old Sponsor will hereby cease to have and be released from any right, liability or obligation in respect of the Individually Segregated Sponsored Account, provided that none of the old Sponsor, new Sponsor or Sponsored Principal has become a Defaulter prior to such date.

**Rule 1905** ***Provisions Inapplicable to FCM/BD Clearing Members***

Notwithstanding anything to the contrary in these Rules, FCM/BD Clearing Members shall not be permitted to act as Sponsors of Individually Segregated Sponsored Accounts.

**Rule 1906** ***Provisions Inapplicable to ICE Endex UK Contracts and ICE Endex Spot Market Contracts***

Part 19 of the Rules does not apply to ICE Endex UK Contracts or ICE Endex Spot Market Contracts. References to 'Contracts' in Part 19 exclude ICE Endex UK Contracts and ICE Endex Spot Market Contracts, and the term 'Open Contract Position' shall be construed accordingly. References to 'Sponsor', 'Sponsored Principal', and 'Individually Segregated Sponsored Account' in this Part 19 are only references in relation to Contracts excluding ICE Endex UK Contracts and ICE Endex Spot Market Contracts. References to 'Customers' in this Part 19 are solely to Customers of Clearing Members in relation to Contracts excluding ICE Endex UK Contracts and ICE Endex Spot Market Contracts and the terms 'Customer-CM Transaction' and 'Customer-CM Collateral' shall be construed accordingly.

## Part 20 Transition Rules for ICE Endex in 2013 [No longer applicable: available on request.]

## Part 21 Transition Rules for LIFFE in 2014

### Rule 2101 *Introduction*

(a) These LIFFE Transition Rules deal with certain matters occurring at and around each Transition Time. These LIFFE Transition Rules form part of the Rules and are intended to be interpreted together with the Rules. All terms used but not defined in these LIFFE Transition Rules have the meaning given to them elsewhere in the Rules. In the event of any conflict between the Rules and these LIFFE Transition Rules in relation to any matter to which these LIFFE Transition Rules relate, these LIFFE Transition Rules shall prevail.

(b) These LIFFE Transition Rules will cease to apply on a date notified by the Clearing House to Clearing Members in a Circular, following such consultation with LIFFE and the Clearing House as has been agreed to take place as between LIFFE, ICE Futures Europe and the Clearing House.

### Rule 2102 *Additional Definitions*

(a) The term "**1m Eonia**" means One Month EONIA Indexed Futures Contracts.

(b) The term "**3m Eonia**" means Three Month EONIA Swap Index Futures Contracts.

(c) The term "**1st Transition Time**" means 29 September 2014 or such later date to which the first transition time is deferred (which will be communicated to Clearing Members by the Clearing House) for Soft Commodities Contracts and such other contracts as specified by ICE Futures Europe.

(d) The term "**1st Transition Time Contracts**" means the contracts transferring at the 1st Transition Time.

(e) The term "**2nd Transition Time**" means 6 October 2014 or such later date to which the second transition time is deferred (which will be communicated to Clearing Members by the Clearing House) for Euroswiss, 1m Eonia, Bond Contracts (excluding Long Gilts and Ultra Long Gilts), Swapnote® Contracts and such other contracts as specified by ICE Futures Europe to the extent not transitioned during the 1st Transition Time.

(f) The term "**2nd Transition Time Contracts**" means the contracts transferring at the 2nd Transition Time.

(g) The term "**3rd Transition Time**" means 20 October 2014 or such later date to which the third transition time is deferred (which will be communicated to Clearing Members by the Clearing House) for Sterling, Long Gilts, Ultra Long Gilts and such other contracts as specified by ICE Futures Europe to the extent not transitioned during the 2nd Transition Time.

(h) The term "**3rd Transition Time Contracts**" means the contracts transferring on the 3rd Transition Time.

(i) The term "**4th Transition Time**" means 3 November 2014 or such later date to which the fourth transition time is deferred (which will be communicated to Clearing Members by the Clearing House) for Euribor, 3m Eonia, Euribor/Eonia Spread and such other contracts as specified by ICE Futures Europe to the extent not transitioned during the 3rd Transition Time.

(j) The term "**4th Transition Time Contracts**" means the contracts transferring on the 4th Transition Time.

(k) The term "**5th Transition Time**" means 17 November 2014 or such later date to which the fifth transition time is deferred (which will be communicated to Clearing Members by the Clearing House) for Securities Contracts (excluding Bond Contracts) and such other contracts as specified by ICE Futures Europe to the extent not transitioned during the 4th Transition Time.

(l) The term "**5th Transition Time Contracts**" means the contracts transferring on the 5th Transition Time.

(m) The term "**Bond Contracts**" means Gilt Contracts, Eurobond Government Contracts and Swiss Confederation Bond Contracts.

(n) The term "**Euribor**" means Three Month Euro Futures Contracts, Options on Three Month Euro Futures Contracts, One Year Mid-Curve Options on Three Month Euro Futures Contracts, Two Year Mid-Curve Options on Three Month Euro Futures Contracts, Three Year Mid-Curve Options on Three Month Euro Futures Contracts and Four Year Mid-Curve Options on Three Month Euro Futures Contracts.

(o) The term "**Euribor/Eonia Spread**" means the Inter-contract Spread strategy between Three Month Euro Futures Contracts and 3m Eonia.

(p) The term "**Eurobond Government Contracts"** means German Government Bond Contracts, Italian Government Bond Contracts and Spanish Government Bond Contracts**.**

(q) The term "**Euroswiss**" means Three Month Euro Swiss Franc Futures Contracts and Options on Three Month Euro Swiss Franc Futures Contracts.

(r) The term **"German Government Bond Contracts"** means Short Bund Futures Contracts, Medium Bund Futures Contracts, Long Bund Futures Contracts and Ultra Long Bund Futures Contracts.

(s) The term "**Gilt Contracts**" means Short Gilts, Medium Gilts, Long Gilts and Ultra Long Gilts.

(t) The term "**Italian Government Bond Contracts**" means Short BTP Futures Contracts, Medium BTP Futures Contracts and Long BTP Futures Contracts.

(u) The term "**LIFFE Transition Rules**" means these transitional rules.

(v) The term "**Long Gilts**" means Long Gilt Futures Contracts and Options on Long Gilt Futures Contracts.

(w) The term "**Medium Gilts**" means Medium Gilt Futures Contracts.

(x) The term "**Securities Contract**" means a Future or Option containing the terms set out in any of Sections IIIII to PPPPPP of the ICE Futures Europe Rules, a Bond Contract, and/or any other contract determined to be a Securities Contract by the directors of ICE Futures Europe from time to time.

(y) The term "**Short Gilts**" means Short Gilt Futures Contracts.

(z) The term "**Soft Commodities Contract**" means a Future or Option containing the terms set out in any of Sections EEEE to MMMM of the ICE Futures Europe Rules and/or any other contract determined to be a Soft Commodities Contract by the directors of ICE Futures Europe from time to time.

(aa) The term "**Spanish Government Bond Contracts**" means Short Spanish Government Bond Futures Contracts, Medium Spanish Government Bond Futures Contracts and Long Spanish Government Bond Futures Contracts.

(bb) The term "**Sterling**" means Three Month Sterling Futures Contracts, Options on Three Month Sterling Futures Contracts, One Year Mid-Curve Options on Three Month Sterling Futures Contracts, Two Year Mid-Curve Options on Three Month Sterling Futures Contracts, Three Year Mid-Curve Options on Three Month Sterling Futures Contracts and Four Year Mid-Curve Options on Three Month Sterling Futures Contracts.

(cc) The term "**Swapnote® Contract**" means a Future or Option containing the terms set out in any of Sections XXXX to EEEEE, and Section FFFFF as it relates to a Swapnote®, of the ICE Futures Europe Rules and/or any other contract determined to be a Swapnote® Contract by the directors of ICE Futures Europe from time to time.

(dd) The term "**Swiss Confederation Bond Contracts**" means Medium Swiss Confederation Bond Futures Contracts and Long Swiss Confederation Bond Futures Contracts.

(ee) The term "**Transitioning Contracts**" means the 1st Transition Time Contracts, the 2nd Transition Time Contracts, the 3rd Transition Time Contracts, the 4th Transition Time Contracts and the 5th Transition Time Contracts.

(ff) The term "**Transition Time**" means each of the 1st Transition Time, 2nd Transition Time, 3rd Transition Time, 4th Transition Time or 5th Transition Time, which will be communicated to Clearing Members by the Clearing House.

(gg) The term "**Ultra Long Gilts**" means Ultra Long Gilt Futures Contracts.

**Rule 2103** ***Exchange Transition***

(a) At each relevant Transition Time, the trading of relevant Transitioning Contracts will transfer from LIFFE to ICE Futures Europe.

**Rule 2104** ***Redesignation of Transitioning Contracts***

(a) With effect from the 1st Transition Time, open 1st Transition Time Contracts shall be automatically redesignated, without need for any further step or notices, as Financials & Softs Contracts for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House provided that, from the 1st Transition Time, the Rules shall apply to such Contract which was previously a 1st Transition Time Contract as a Financials & Softs Contract. The Contract Terms of affected 1st Transition Time Contracts shall be amended and restated at the 1st Transition Time accordingly.

(b) With effect from the 2nd Transition Time, open 2nd Transition Time Contracts shall be automatically redesignated, without need for any further step or notices, as Financials & Softs Contracts for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House provided that, from the 2nd Transition Time, the Rules shall apply to such Contract which was previously a 2nd Transition Time Contract as a Financials & Softs Contract. The Contract Terms of affected 2nd Transition Time Contracts shall be amended and restated at the 2nd Transition Time accordingly.

(c) With effect from the 3rd Transition Time, open 3rd Transition Time Contracts shall be automatically redesignated, without need for any further step or notices, as Financials & Softs Contracts for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House provided that, from the 3rd Transition Time, the Rules shall apply to such Contract which was previously a 3rd Transition Time Contract as a Financials & Softs Contract. The Contract Terms of affected 3rd Transition Time Contracts shall be amended and restated at the 3rd Transition Time accordingly.

(d) With effect from the 4th Transition Time, open 4th Transition Time Contracts shall be automatically redesignated, without need for any further step or notices, as Financials & Softs Contracts for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House provided that, from the 4th Transition Time, the Rules shall apply to such Contract which was previously a 4th Transition Time Contract as a Financials & Softs Contract. The Contract Terms of affected 4th Transition Time Contracts shall be amended and restated at the 4th Transition Time accordingly.

(e) With effect from the 5th Transition Time, open 5th Transition Time Contracts shall be automatically redesignated, without need for any further step or notices, as Financials & Softs Contracts for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House

provided that, from the 5th Transition Time, the Rules shall apply to such Contract which was previously a 5th Transition Time Contract as a Financials & Softs Contract. The Contract Terms of affected 5th Transition Time Contracts shall be amended and restated at the 5th Transition Time accordingly.

## Part 22 Launch Rules for ICE Endex UK and ICE Endex Continental in 2015 [No longer applicable: available on request.]

## Part 23 Rules for Market transitions

### Rule 2301 *Introduction*

(a) These Market Transition Rules deal with certain matters occurring at and around each and any Transition Time. These Market Transition Rules form part of the Rules and are intended to be interpreted together with the Rules. All terms used but not defined in these Market Transition Rules have the meaning given to them elsewhere in the Rules. In the event of any conflict between any other section of the Rules and these Market Transition Rules in relation to any matter to which these Market Transition Rules relate, these Market Transition Rules shall prevail.

### Rule 2302 *Additional Definitions*

(a) The term "Exiting Market" means a Market which will cease to offer trading in the Transitioning Contracts at the Transition Time.

(b) The term "Market Transition Rules" means the rules in this Part 23.

(c) The term "Receiving Market" means a Market which will offer trading in the Transitioning Contracts as from the Transition Time.

(d) The term "Transitioning Contracts" means, with respect to a Transition Time, such F&O Contracts, as are identified by the Exiting Market and Receiving Market by notice in writing to the Clearing House the trading of which is proposed to be transitioned from the Exiting Market to the Receiving Market with the consent of the Clearing House, as may be specified by the Clearing House from time to time by Circular following receipt of such notice.

(e) The term "Transition Time" means a transition time designated by the Clearing House in a Circular with respect to one or more Transitioning Contracts.

### Rule 2303 *Exchange Transition*

At each relevant Transition Time, the trading of the related Transitioning Contracts will transfer from the Exiting Market to the Receiving Market, as identified in the relevant Circular.

### Rule 2304 *Redesignation of Transitioning Contracts*

(a) With effect from each Transition Time, open Transitioning Contracts shall be automatically redesignated, without need for any further step or notices, such that they become Contracts made under the Market Rules of the Receiving Market and are no longer Contracts made under the Market Rules of the Exiting Market, for the purposes of the Rules. Any such redesignated Contract shall remain in full force and effect as between the relevant Clearing Member and the Clearing House. The Contract Terms of affected

Transitioning Contracts shall be amended and restated automatically at the Transition Time accordingly.

(b) With effect from the Transition Time, and without limiting Rule 2304(a), if the Receiving Market is a U.S. designated contract market and the Exiting Market is a non-U.S. Market that is not a U.S. designated contract market: (i) open Transitioning Contracts registered in the Non-DCM/Swap Customer Account of an FCM/BD Clearing Member shall be transferred, without need for any further step or notices, to the DCM Customer Account of such FCM/BD Clearing Member; and (ii) FCM/BD Customer Collateral constituting FCM/BD Other Transaction Collateral in respect of such open Transitioning Contracts shall be transferred to and held by the Clearing House in the Clearing House DCM Segregated Account as FCM/BD U.S. Futures Customer Collateral under the Rules, without need for any further step or notices.

**EXHIBIT 1**

# ICE CLEAR EUROPE LIMITED

# CUSTOMER-CM CDS TRANSACTIONS STANDARD TERMS

## BACKGROUND:

In respect of a Non-FCM/BD Clearing Member and Customer using a Customer Account other than an Individually Segregated Sponsored Account:

(1) Clearing Member is a Non-FCM/BD Clearing Member, as defined in the rules (together with the procedures, as interpreted in accordance with guidance and circulars thereunder, the "**Rules**") of ICE Clear Europe Limited (the "**Clearing House**") and is thereby permitted to submit certain CDS Trade Particulars which, if an Acceptance Notice is issued, will result in a cleared CDS Contract arising in accordance with the Rules and the CDS Procedures of the Clearing House.

(2) Clearing Member and Customer are or intend to become party to one or more Customer-CM Transactions, where related cleared CDS Contracts are requested or are to be requested by the CDS Clearing Member to be recorded in a Customer Position Account in which CDS Contracts may be 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 Customer-CM CDS Transactions Standard Terms (these "**CDS Standard Terms**").

(3) Clearing Member and Customer have established a "master" futures account, clearing agreement or other master agreement (the "**Cleared Transactions Master Agreement**", as amended from time to time) 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 (together, the "**Customer-Clearing Member Agreement**") and as amended and supplemented by these CDS Standard Terms).

In respect of a Non-FCM/BD Clearing Member and Customer using an Individually Segregated Sponsored Account:

(4) Clearing Member is a Non-FCM/BD Clearing Member and Customer is a Sponsored Principal, in each case as defined in the Rules, and each of them is thereby permitted to submit certain CDS Trade Particulars which, if an Acceptance Notice is issued, will result in a cleared CDS Contract governed by Part 19 arising in accordance with the Rules and the CDS Procedures of the Clearing House.

(5) Clearing Member and Customer are or intend to become party to one or more Customer-CM Transactions on the terms set out in these CDS Standard Terms as modified pursuant 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 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 other than Customer-CM CDS Transactions ("**Non-Cleared Transactions**"), Clearing Member and Customer shall distinguish in their books and records Customer-CM CDS Transactions from Non-Cleared Transactions to the extent required to enable them to comply with the Rules, the Procedures and these CDS Standard Terms.

(e) For purposes of the Customer-Clearing Member Agreement, in the event of any inconsistency among or between the Customer-Clearing Member Agreement, these CDS Standard Terms, the Rules and the Procedures with respect to Customer-CM CDS Transactions the following provisions shall prevail in the following order: (i) first, the Rules from time to time; (ii) second, subject to (m) below, the Procedures from time to time; (iii) third, these CDS Standard Terms from time to time; and (iv) fourth, the Customer-Clearing Member Agreement.

(f) Customer agrees with Clearing Member that Customer-CM CDS Transactions shall be subject to the provisions of the Rules and the Procedures applicable to Customer-CM CDS Transactions as such Rules or Procedures are amended, modified, supplemented or restated from time to time. In particular but without limitation, Customer hereby agrees that it shall be bound by, shall comply with and shall facilitate compliance by Clearing Member with the terms and conditions set forth in Parts 5 and 9 of the Rules and Rule 202 in so far as they relate to Customer-CM CDS Transactions.

(g) Customer agrees that publication of a Circular by the Clearing House shall constitute valid notice by the Clearing House of any matter under or relating to the Rules, the Procedures, Customer-CM CDS Transactions or these CDS Standard Terms.

(h) Clearing Member and Customer 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 Clearing Member and Customer, each Customer-CM CDS Transaction is intended to reflect exactly the operation of the related CDS Contract. In any circumstances in which a CDS Contract is netted (in whole or in part), terminated or voided under the Rules, the related Customer-CM CDS Transaction will also be netted (in whole or in part), terminate or be voided by reference to the same price as the CDS Contract is so netted, terminated or voided and a payment in respect of such price may be payable between Customer and Clearing Member pursuant to the Customer-Clearing Member Agreement or as determined by the Clearing Member. Thereupon, Customer and Clearing Member shall have no further rights and be under no further liability with respect to such Customer-CM CDS Transaction(s) (or, if applicable, part thereof) other than in respect of any unpaid payments under such Customer-CM CDS Transactions (which shall be payable as and when originally payable). Clearing Member may, at its discretion, elect to continue an equivalent transaction with Customer as a Non-Cleared Transaction.

(i) In addition, without limiting any rights that Clearing Member may have under the Customer-Clearing Member Agreement, if the Clearing House takes any step, including but not limited to the following events or actions, or any such event or action otherwise occurs (in each case including but not limited to any change in Applicable Law or any action taken by any Regulatory Authority pursuant to Applicable Law) in relation to a CDS Contract, Clearing Member, at its option and discretion, shall be entitled to take equivalent action (or, if it cannot take equivalent

action, it is not advisable to do so or equivalent action would not deal with the matter in hand, other appropriate action) in good faith and in a commercially reasonable manner, in relation to the related Customer-CM CDS Transaction and/or against Customer, including but not limited to terminating, and/or modifying the non-economic terms of, such Customer-CM CDS Transaction and/or making adjustments to any determination of amounts paid or payable under the Customer-Clearing Member Agreement:

(i) imposition of a fine or disgorgement payment pursuant to Part 10, any arbitral award or any other payment obligation arising other than pursuant to the Contract Terms or Parts 5 or 11 of the Rules, where the conduct in question is caused by, or in any way due to, the Customer and/or under the Customer-CM CDS Transaction;

(ii) any other event or action the effect of which is to create a material mismatch between the rights, obligations or exposures as between Clearing Member and the Clearing House pursuant to a CDS Contract on the one hand and the rights, obligations or exposures as between Clearing Member and Customer, including without limitation pursuant to the related Customer-CM CDS Transaction, on the other hand; and

(iii) any other event or action the effect of which is to result in any loss, liability, cost, claim, damages or expenses being incurred by Clearing Member in connection with a CDS Contract where such event or action does not form part of the CDS Contract (and so is not reflected in the related Customer-CM CDS Transaction).

(j) Notwithstanding Section 3(c), Clearing Member and Customer may agree different settlement arrangements between Clearing Member and Customer so as to accommodate any particular requirements of Clearing Member or Customer.

(k) Any price or rate determined by the Clearing House as Calculation Agent or otherwise under the Rules in relation to a CDS Contract shall be used as the same price or rate by the Clearing Member in relation to the related Customer-CM CDS Transaction(s).

(l) Customer shall not be entitled to serve any type of notice under a Customer-CM CDS Transaction in circumstances in which or by means that the Clearing Member would not, by virtue of the Rules or CDS Procedures, be entitled to serve a corresponding notice on the Clearing House in relation to the corresponding CDS Contract. Clearing Member and the Clearing House shall be entitled to treat any service of a notice in breach of this provision as invalid.

(m) Clearing Member may, but (subject as otherwise agreed, including but not limited to pursuant to the Settlement and Notices Terms) is not obliged to, deliver any Electronic Notices in relation to Customer-CM CDS Transactions at the times allowed under the Rules and Procedures.

(n) These CDS Standard Terms may, pursuant to the process provided for in Section 2 of these CDS Standard Terms, from time to time, incorporate additional standard terms published by the Clearing House so as to establish mechanics for dealing with the relationship between CDS Contracts and Customer-CM CDS Transactions until such time as market infrastructure solutions are available to address the relevant operational issues. Such additional standard terms shall form part of these CDS Standard Terms, may (if so specified) prevail over the applicable Procedures in respect of Customer-CM CDS Transactions and may be amended and/or withdrawn only as provided for in Section 2 of these CDS Standard Terms. Initially, such additional standard terms are the Settlement and Notices Terms as published by the Clearing House as an Exhibit to the Rules.

(o) On each date on which the Customer has any open Customer-CM CDS Transaction, the Customer shall represent that the Clearing House is not prevented from entering into any Contract nor is the Clearing Member prevented from entering into any Customer-CM CDS Transaction as a result of any Sanctions affecting the Customer or any of its assets (except, if it is a Customer incorporated in Germany or the Clearing Member is located in Germany, solely to the extent that any obligation, or undertaking, representation or statement contemplated by this Section 3(o) would be in conflict with any Applicable Laws purporting to nullify or restrict the effect of foreign Sanctions or preventing boycotts).

(p) Each Customer or Indirect Client that has chosen individual segregation through usage of a Margin-flow Co-mingled Account or Segregated Gross Indirect Account shall be deemed to have appointed and authorised the Clearing Member to determine how the different classes of Permitted Cover should be transferred to the Clearing House in respect of the Margin-flow Co-mingled Account or Segregated Gross Indirect Account in which positions relating to such Customer are registered, for purposes of and including in each of the manners set forth in, Rule 503(k).

4. ***Margin Requirements.***

(a) Subject as agreed otherwise in the Customer-Clearing Member Agreement, Clearing Member shall be entitled to require each of its Customers in respect of CDS Contracts to provide margin (or permitted cover in respect thereof) in an amount no less than the amount of Margin of each relevant type required on a gross basis by the Clearing House with respect to the relevant Open Contract 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 in circumstances in which the Clearing Member's obligations, 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 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 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

(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 CDS Contract and related Customer-CM CDS Transaction pursuant to Section 6(b)(ii), the Customer-CM CDS Transaction with the Transferor Clearing Member shall be deemed terminated at the same time that the replacement CDS Contract and related Customer-CM CDS Transaction is entered into. Customer shall take no action, including but not limited to attempting to obtain a court order, that could interfere with the ability of the Clearing House to take action contemplated by Part 9 of the Rules, including, without limitation, the Transfer of CDS Contracts and Customer-

CM CDS Transactions, the transfer of any related Margin or other collateral or cover (or contingent cover) for the same or the imposition of the Transferee Clearing Member's form of Customer-Clearing Member Agreement where so permitted under the Default Portability Rules.

(d) Customer hereby appoints the Clearing House as its lawful agent and attorney-in-fact to take such actions on behalf of the Customer as the Clearing House determines necessary or appropriate in order to effect the Default Portability Rules with respect to Customer's Customer-CM CDS Transactions and the Customer Margin Account, including executing any document or instrument with respect to the Transfer or replacement of the Customer-CM CDS Transaction and/or exercising rights and remedies to terminate or Transfer Customer-CM CDS Transactions, including (without limitation) the execution of any Transfer, or the exercise of any termination notice or the transfer of amounts recorded in the Customer Margin Account. Such appointment shall not be revoked by Customer. Customer shall take such actions as the Clearing House and/or a Transferee Clearing Member may request to give full effect to the Default Portability Rules, including without limitation execution of documentation confirming or agreeing to any terms specified by Transferee Clearing Member pursuant to Rule 904(j).

(e) In connection with any Transfer of Customer-CM CDS Transactions pursuant to the Default Portability Rules, any termination payments owed between Customer and Clearing Member in respect of the relevant Customer-CM CDS Transactions (determined in accordance with the Rules and the provisions of the Customer-Clearing Member Agreement), any termination payments owed between Clearing Member and the Clearing House in respect of the related CDS Contracts (which in each case shall be determined by the Clearing House pursuant to its default rules), any upfront Mark-to-Market Margin payments owed between Customer and the Transferee Clearing Member with respect to the initiation of the replacement cleared transactions and any upfront Mark-to-Market Margin payments owed between such Transferee Clearing Member and the Clearing House with respect to the initiation of replacement CDS Contracts shall be equal.

(f) In the event of an ICE-Declared Default:

(i) There will be a minimum period, after issuance by the Clearing House of a Circular including a Default Notice naming a Clearing Member, for Customers and their Transferee Clearing Members to notify the Clearing House of their agreement that Contracts and/or Margin can be Transferred to a Transferee Clearing Member pursuant to the Default Portability Rules ("**Porting Notice**"). For Customers other than Sponsored Principals, a Porting Notice must be received by the Clearing House within 4 hours of the Default Notice being published in order to be assured of being acted upon, subject to the below. For Sponsored Principals, the minimum period for receipt of Porting Notices is specified in Rule 904. Any Porting Notice, in order to be valid, must:

(A) be in writing;

(B) concern and be duly authorised and executed by a Customer who would not, if it were a Clearing Member, be capable of being declared a Defaulter;

(C) concern and be duly authorised and executed by a Transferee Clearing Member who is not a Defaulter;

(D) be delivered to the Clearing House electronically in the form and to the address specified by the Clearing House;

(E) concern positions which have not already been closed out or Transferred; and

(F) otherwise comply with the requirements of Part 9 of the Rules.

In the case of an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account or Individually Segregated Sponsored Account, a Porting Notice must be in respect of the single Customer interested in the Account in order to be valid. In the case of a Customer Account that is neither an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account nor an Individually Segregated Sponsored Account, the Porting Notice must be in respect of and executed by all Customers interested in the Account in order to be valid.

Subject to Rule 904(c), the Clearing House will act upon Porting Notices received by it within the 4 hour period specified above. The Clearing House may also act upon other Porting Notices received by it after the end of such period, at its discretion. However, Customers and Transferee Clearing Members acknowledge that due to operational constraints and depending on market conditions, it may not be possible for the Clearing House to process all Porting Notices (whether received within the 4 hour period or thereafter) within a reasonable period of time. Porting Notices received within the initial 4 hour period will be prioritised over any other notice. The Clearing House may select Porting Notices to be dealt with in such order as it sees fit, based on such criteria as it determines are relevant, including completeness and due execution of Default Notices, legibility, time of receipt, size of positions, lawfulness of porting, Customer jurisdiction of incorporation or place of business, whether risk increasing or risk decreasing and satisfaction of the requirements of Part 9 of the Rules. The Clearing House will not be obliged to comply with any Porting Notice which has not been acted upon by it:

(A) if the Default Notice was issued before 13:00 hrs on a Business Day prior to the close of business on the same Business Day;

(B) if the Default Notice was issued on a day which is not a Business Day prior to close of business on the next following Business Day; or

(C) if the Default Notice is issued after 13:00 hrs on a Business Day prior to noon of the next following Business Day.

At the end of this period, the Clearing House may, at its sole discretion, terminate any open Contracts and related assets of the Defaulter or undertake other Transfers under consents provided for in the Rules and these Standard Terms. The deadlines for the delivery of prioritised Porting Notices or for the Clearing House to act upon any Porting Notices may be extended at the Clearing House's discretion by Circular. If, as of the end of the period for acting upon Default Notices, any Customer-CM CDS Transactions have not been Transferred pursuant to the Default Portability Rules, such Customer-CM CDS Transactions shall be deemed terminated, and in such case an early termination date (or similar concept) in respect of the Customer-CM CDS Transactions shall occur under the Customer-Clearing Member Agreement, on the applicable date on which the Clearing House terminates the related CDS Contracts pursuant to Part 9 of the Rules.

(ii) Notwithstanding anything to the contrary in the Customer-Clearing Member Agreement or any other agreement or arrangement between Clearing Member and Customer, the amount payable pursuant to the Customer-Clearing Member Agreement in respect of the termination of the Customer-CM CDS Transactions shall be determined on the basis of the termination value calculated by the Clearing House for the corresponding CDS Contracts pursuant to Part 9 of the Rules but subject always, in the case of amounts due from Clearing Member, to Section 8(c) below. Customer hereby agrees and acknowledges that any determination made by the Clearing House with respect to the termination value of a CDS Contract or a Customer-CM CDS Transaction shall be conclusive and binding upon Customer for this purpose to the same extent that any 'net sum' declared by the Clearing House is conclusive and binding on Clearing Member. The obligation of a Clearing Member to a Customer under a Customer-CM CDS Transaction shall be discharged to the extent that the Clearing House makes payment of any net sum or any part thereof direct to the Customer.

(iii) Customer acknowledges and agrees that the allocation and, subject to Applicable Law, return of available amounts in the relevant Customer Margin Account shall be governed by Part 9 of the Rules, which may reduce or defer Clearing Member's obligations to Customer.

(g) For the avoidance of doubt, nothing in these CDS Standard Terms shall prevent other amounts being due and payable between Clearing Member and Customer as provided for in the Customer-Clearing Member Agreement.

7. ***Consents to Disclosure.***

Customer hereby consents to:

(i) the Clearing House having the right to obtain information in relation to the Customer-CM CDS Transactions from any CDS Trade Execution/Processing Platform, Repository or Deriv/SERV so as to enable the Clearing House to identify which CDS Contracts and Margin or Permitted Cover between the Clearing House and Clearing Member relate to such Customer-CM CDS Transactions;

(ii) Clearing Member making any disclosures in connection with Customer and Customer-CM CDS Transactions as are required by the Rules and/or Procedures or as are required by Applicable Law;

(iii) disclosures to, use by and disclosures by the Clearing House of information relating to Customer (including the Personal Data of its Data Subjects) pursuant to Rule 106; and

(iv) submissions of and other actions relating to data concerning Customer-CM CDS Transactions by the Clearing House pursuant to Section 12, the Rules and the Procedures.

8. ***Certain Limitations.***

(a) Customer agrees and acknowledges for the benefit of the Clearing House and Clearing Member that: (i) the liability of the Clearing House to Customer shall be excluded and limited as set forth in Rule 111 and specifically that the Clearing House shall have no liability or obligation to Customer in respect of a Customer-CM CDS Transaction or otherwise nor shall it have any duty of care directly to Customer, in any case whether in tort, contract, restitution, in respect of any Contract, pursuant to the Rules, pursuant to a Clearing Membership Agreement, pursuant to these CDS Standard Terms or otherwise, save for any liability which by law may not be excluded, (ii) in no event shall Customer attempt to interfere with the ability of the Clearing House to exercise its rights hereunder or as set forth in the Rules, the Procedures or any Clearing Membership Agreement, and (iii) it is not entitled to, and will not, petition a court or take any action or commence any proceedings against the Clearing House, directly or indirectly and will if any such action is taken fully indemnify the Clearing House against any costs, losses or other consequences of Customer taking any such action. Customer agrees that Clearing Member acts as principal at all times in all its Contracts with the Clearing House.

(b) The Clearing House shall have no responsibility for the compliance by Clearing Member or Customer with its obligations under a Customer-Clearing Member Agreement. The Clearing House shall be under no obligation to enquire into, and shall be fully protected in relying on, any instructions or directions with respect to a Customer Account or the assets recorded therein or transferred thereto or therefrom under the Rules received from a Person that the Clearing House believes to be authorised to act on behalf of Clearing Member.

(c) Customer agrees and acknowledges that the performance and payment obligations of Clearing Member to Customer are limited by and contingent on the actual

performance or payment by the Clearing House under the related CDS Contract and that Clearing Member shall have no responsibility for the compliance by the Clearing House (or any person other than that Clearing Member) with its obligations, including without limitation, under any CDS Contract, the Rules or the Procedures. In the event that the Clearing House defaults in or defers or varies the payment or performance of any obligation otherwise owed by it in respect of a CDS Contract corresponding to a Customer-CM CDS Transaction (including, without limitation, any shortfall in repayment of Permitted Cover or any recovery of less than 100% of amounts owed by the Clearing House or property provided to the Clearing House in circumstances in which Rule 912 applies), Clearing Member will be entitled to make a corresponding deduction, withholding or other reduction from, or tolling or deferring of, any payment or performance otherwise owed by it under such corresponding Customer-CM CDS Transactions and/or to make its performance under such Customer-CM CDS Transactions conditional on performance by the Clearing House under the related CDS Contract (and where any such deduction may be attributable to both Customer-CM CDS Transactions and to Customer Account Contracts of other Customers, Clearing Member shall allocate such deduction among such contracts on a *pro rata* basis) provided that if such defaulted or delayed payment or performance is subsequently obtained by Clearing Member from the Clearing House (in whole or in part), Clearing Member shall thereupon make the corresponding payment or performance (or portion thereof) to Customer.

9. ***Certain Tax Matters.***

Subject always, and without prejudice, to any provisions of a Customer-Clearing Member Agreement: (i) if Clearing Member is required to pay to Clearing House any additional amount under Rule 301(j) or the Contract Terms with respect to a CDS Contract corresponding to a Customer-CM CDS Transaction, Customer shall be obliged to pay to Clearing Member an amount equal to such additional amount (or the applicable portion thereof), but without duplication of any additional amount payable by Customer under any relevant provision of the Customer-Clearing Member Agreement, (ii) for the avoidance of doubt, and without prejudice to the above, if Clearing House deducts or withholds any amount otherwise payable to Clearing Member on a CDS Contract pursuant to Rule 301 or the Contract Terms, Clearing Member shall be entitled to make a corresponding deduction from any amount otherwise payable by Clearing Member to Customer under a corresponding Customer-CM CDS Transaction, and (iii) where such additional amount or deduction may be attributable to both Customer-CM CDS Transactions and to Customer-CM CDS Transactions of other customers, Clearing Member shall allocate such additional amount or deduction among such contracts on a *pro rata* basis.

10. ***Reliance on CDS Trade Particulars and submissions to Deriv/SERVor etc.***

The Clearing House shall be entitled to assume, without enquiry, that (i) at each Acceptance Time at which a Customer-CM CDS Transaction arises, the respective obligations of Clearing Member and Customer under such Customer-CM CDS Transaction constitutes its legal, valid and binding obligations enforceable in accordance with their respective terms, subject to applicable Insolvency laws or similar Applicable Laws

affecting creditors' rights generally and subject, as to enforceability, to equitable principles in general application (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) where Customer or Clearing Member are acting out of an office in the United States of America, each of Clearing Member and Customer represents to the other and to the Clearing House that it is an "eligible contract participant" as defined in the US Commodity Exchange Act, as amended and (iii) that the Clearing House is duly authorised by Clearing Member and Customer to submit, in accordance with the Rules and the Procedures, details of any CDS Trade Particulars or Customer-CM CDS Transaction to Deriv/SERV and to amend or delete such records from time to time in accordance with the Rules and the Procedures, in each case subject to Applicable Law. For the avoidance of doubt, Clearing Member shall not take any actions in Deriv/SERV of a nature specified in this Section and neither the Clearing House nor Clearing Member will be liable to Customer for any action or omission of the Clearing House as a result of having made such submissions. The sole remedy of Customer in the case of any error shall be to request that Clearing Member request the Clearing House to amend or correct any error pursuant to the Rules or Procedures.

11. ***Third Party Rights.***

The Clearing House shall be entitled to rely upon and enjoy the benefit of the representations, warranties, agreements, obligations and covenants of the Customer under these CDS Standard Terms and shall have the right to enforce such representations, warranties, agreements, obligations and covenants against the parties under the Contracts (Rights of Third Parties) Act 1999. Other than as set out in this Section 11, no persons other than Clearing Member and Customer shall have the right to enforce any provision of these CDS Standard Terms under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

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 accordance with recitals 4 to 8, Part 19 of the Rules, the Sponsored Principal Clearing Agreement and the Sponsor Agreement.

(c) The following provisions of these CDS Standard Terms shall be modified as set out below in connection with an Individually Segregated Sponsored Account:

(i) Section 4(a) shall not apply if the Nominated Bank Account used for the Individually Segregated Sponsored Account is an account of the Sponsored Principal;

(ii) the second sentence of Section 4(b) shall not apply; and the rights of the Sponsored Principal to the assets recorded in the Individually Segregated Sponsored Account shall be as set out in the Rules;

(iii) Sections 6(b)-(e) shall be construed as being modified to the extent that the Default Portability Rules and default rules are modified for Sponsors and Sponsored Principals pursuant to Rule 904 and in particular for purposes of Section 6(b)(iii) the Clearing House shall in addition be entitled to accept the appointment of a new Sponsor pursuant to Rule 904; and

(iv) Sections 8(a)(i) and (iii) and the provisions of the Rules shall instead apply to determine the liability of the Clearing House to the Sponsored Principal.

(d) The Sponsored Principal shall be deemed to represent and warrant to the Sponsor, upon their first date of its holding such status and on each subsequent date that it is a Sponsored Principal with such Sponsor, that it meets all of the criteria set out in Rule 1901(b) and (d) and is in compliance with all of its obligations under these Rules.

(e) Any asset received by the Sponsor from the Clearing House in respect of an Individually Segregated Sponsored Account shall be treated by the Sponsor and Sponsored Principal as if it had been received by the Sponsor from the Sponsored Principal as collateral (or cover for collateral) pursuant to the Cleared Transactions Master Agreement and these CDS Standard Terms.

**EXHIBIT 2**

**ICE CLEAR EUROPE LIMITED**

**CUSTOMER-CM F&O TRANSACTIONS STANDARD TERMS**

**BACKGROUND:**

In respect of a Non-FCM/BD Clearing Member and Customer using a Customer Account other than an Individually Segregated Sponsored Account:

(1) Clearing Member is a Non-FCM/BD Clearing Member, as defined in the rules (together with the procedures, as interpreted in accordance with guidance and circulars thereunder, the "**Rules**") of ICE Clear Europe Limited (the "**Clearing House**") and is thereby permitted to submit certain F&O Transactions which result in a cleared F&O Contract arising in accordance with the Rules and the Procedures of the Clearing House.

(2) Clearing Member and Customer are or intend to become party to one or more Customer-CM Transactions, where related cleared F&O Contracts are requested or are to be requested by the F&O Clearing Member to be recorded in a Customer Position Account in which F&O Contracts may be 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 Transactions, as further provided for in these Customer-CM F&O Transactions Standard Terms (these "**F&O Standard Terms**").

(3) Clearing Member and Customer have established a "master" futures account, clearing agreement or other master agreement (the "**Cleared Transactions Master Agreement**", as amended from time to time) 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 (together, the "**Customer-Clearing Member Agreement**") and as amended and supplemented by these F&O Standard Terms).

In respect of a Non-FCM/BD Clearing Member and Customer using an Individually Segregated Sponsored Account:

(4) Clearing Member is a Non-FCM/BD Clearing Member and Customer is a Sponsored Principal, in each case as defined in the Rules, and each of them is thereby permitted to submit certain F&O Transactions which will result in a cleared F&O Contract, governed by Part 19 arising in accordance with the Rules of the Clearing House.

(5) Clearing Member and Customer are or intend to become party to one or more Customer-CM Transactions on the terms set out in these F&O Standard Terms as modified pursuant 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 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 required to enable them to comply with the Rules, the Procedures and these F&O Standard Terms.

(e) For purposes of the Customer-Clearing Member Agreement, in the event of any inconsistency among or between the Customer-Clearing Member Agreement, these

F&O Standard Terms, the Rules and the Procedures with respect to Customer-CM F&O Transactions the following provisions shall prevail in the following order: (i) first, the Rules from time to time; (ii) second, subject to (m) below, the Procedures from time to time; (iii) third, these F&O Standard Terms from time to time; and (iv) fourth, the Customer-Clearing Member Agreement.

(f) Customer agrees with Clearing Member that Customer-CM F&O Transactions shall be subject to the provisions of the Rules and the Procedures applicable to Customer-CM F&O Transactions as such Rules or Procedures are amended, modified, supplemented or restated from time to time. In particular but without limitation, Customer hereby agrees that it shall be bound by, shall comply with and shall facilitate compliance by Clearing Member with the terms and conditions set forth in Parts 5 and 9 of the Rules and Rule 202 in so far as they relate to Customer-CM F&O Transactions.

(g) Customer agrees that publication of a Circular by the Clearing House shall constitute valid notice by the Clearing House of any matter under or relating to the Rules, the Procedures, Customer-CM F&O Transactions or these F&O Standard Terms.

(h) Clearing Member and Customer 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 Clearing Member and Customer, each Customer-CM F&O Transaction is intended to reflect exactly the operation of the related F&O Contract. In any circumstances in which an F&O Contract is netted (in whole or in part), terminated or voided under the Rules, the related Customer-CM F&O Transaction will also be netted (in whole or in part), terminate or be voided by reference to the same price as the F&O Contract is so netted, terminated or voided and a payment in respect of such price may be payable between Customer and Clearing Member pursuant to the Customer-Clearing Member Agreement or as determined by the Clearing Member. Thereupon, Customer and Clearing Member shall have no further rights and be under no further liability with respect to such Customer-CM F&O Transaction(s) (or, if applicable, part thereof) other than in respect of any unpaid payments under such Customer-CM F&O Transactions (which shall be payable as and when originally payable). Clearing Member may, at its discretion, elect to continue an equivalent transaction with Customer as a Non-Cleared Transaction.

(i) In addition, without limiting any rights that Clearing Member may have under the Customer-Clearing Member Agreement, if the Clearing House takes any step, including but not limited to the following events or actions, or any such event or action otherwise occurs (in each case including but not limited to any change in Applicable Law or any action taken by any Regulatory Authority pursuant to Applicable Law) in relation to an F&O Contract, Clearing Member, at its option and discretion, shall be entitled to take equivalent action (or, if it cannot take equivalent action, it is not advisable to do so or equivalent action would not deal with the matter in hand, other appropriate action) in good faith and in a

commercially reasonable manner, in relation to the related Customer-CM F&O Transaction and/or against Customer, including but not limited to terminating, and/or modifying the non-economic terms of, such Customer-CM F&O Transaction and/or making adjustments to any determination of amounts paid or payable under the Customer-Clearing Member Agreement:

(i) imposition of a fine or disgorgement payment pursuant to Part 10, any arbitral award or any other payment obligation arising other than pursuant to the Contract Terms or Parts 5 or 11 of the Rules, where the conduct in question is caused by, or in any way due to, the Customer and/or under the Customer-CM F&O Transaction;

(ii) any other event or action the effect of which is to create a material mismatch between the rights, obligations or exposures as between Clearing Member and the Clearing House pursuant to an F&O Contract on the one hand and the rights, obligations or exposures as between Clearing Member and Customer, including without limitation pursuant to the related Customer-CM F&O Transaction, on the other hand; and

(iii) any other event or action the effect of which is to result in any loss, liability, cost, claim, damages or expenses being incurred by Clearing Member in connection with an F&O Contract where such event or action does not form part of the F&O Contract (and so is not reflected in the related Customer-CM F&O Transaction).

(j) Notwithstanding Section 3(c), Clearing Member and Customer may agree different settlement arrangements between Clearing Member and Customer so as to accommodate any particular requirements of Clearing Member or Customer.

(k) Any price or rate determined by the Clearing House under the Rules in relation to an F&O Contract shall be used as the same price or rate by the Clearing Member in relation to the related Customer-CM F&O Transaction(s).

(l) Customer shall not be entitled to serve any type of notice under a Customer-CM F&O Transaction in circumstances in which or by means that the Clearing Member would not, by virtue of the Rules or Procedures, be entitled to serve a corresponding notice on the Clearing House in relation to the corresponding F&O Contract. Clearing Member and the Clearing House shall be entitled to treat any service of a notice in breach of this provision as invalid.

(m) Clearing Member may, but (subject as otherwise agreed) is not obliged to, deliver any electronic notices in relation to Customer-CM F&O Transactions at the times allowed under the Rules and Procedures.

(n) These F&O Standard Terms may, pursuant to the process provided for in Section 2 of these F&O Standard Terms, from time to time, incorporate additional standard terms published by the Clearing House so as to establish mechanics for dealing with the relationship between F&O Contracts and Customer-CM F&O Transactions

until such time as market infrastructure solutions are available to address the relevant operational issues. Such additional standard terms shall form part of these F&O Standard Terms, may (if so specified) prevail over the applicable Procedures in respect of Customer-CM F&O Transactions and may be amended and/or withdrawn only as provided for in Section 2 of these F&O Standard Terms.

(o) On each date on which the Customer has any open Customer-CM F&O Transaction, the Customer shall represent that the Clearing House is not prevented from entering into any Contract nor is the Clearing Member prevented from entering into any Customer-CM F&O Transaction as a result of any Sanctions affecting the Customer or any of its assets.

(p) Solely where National Grid is the Customer, these F&O Standard Terms shall be without prejudice to the Network Code, and National Grid shall not be stopped from relying upon or enforcing the provisions set out in the Network Code or exercising any remedy pursuant thereto, by virtue of either its status as a Customer or being bound by these F&O Standard Terms and the Rules.

(q) Each Customer or Indirect Client that has chosen individual segregation through usage of a Margin-flow Co-mingled Account or Segregated Gross Indirect Account shall be deemed to have appointed and authorised the Clearing Member to determine how the different classes of Permitted Cover should be transferred to the Clearing House in respect of the Margin-flow Co-mingled Account or Segregated Gross Indirect Account in which positions relating to such Customer are registered, for purposes of and including in each of the manners set forth in, Rule 503(k).

4. ***Margin Requirements.***

(a) Subject as agreed otherwise in the Customer-Clearing Member Agreement, Clearing Member shall be entitled to require each of its Customers in respect of F&O Contracts to provide margin (or permitted cover in respect thereof) in an amount no less than the amount of Margin of each relevant type required on a gross basis by the Clearing House with respect to the relevant Open Contract 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 in circumstances in which the Clearing Member's obligations, 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 Agreement that provides for the termination of the Customer-CM F&O 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 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, 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 F&O Contract and related Customer-CM F&O Transaction pursuant to Section 6(b)(ii), the Customer-CM F&O Transaction with the Transferor Clearing Member shall be deemed terminated at the same time that the replacement F&O Contract and related Customer-CM F&O Transaction is entered into. Customer shall take no action, including but not limited to attempting to obtain a court order, that could interfere with the ability of the Clearing House to take action contemplated by Part 9 of the Rules, including, without limitation, the Transfer of F&O Contracts and Customer-CM F&O Transactions, the transfer of any related Margin or other collateral or cover (or contingent cover) for the same or the imposition of the Transferee Clearing Member's form of Customer-Clearing Member Agreement where so permitted under the Default Portability Rules.

(d) Customer hereby appoints the Clearing House as its lawful agent and attorney-in-fact to take such actions on behalf of the Customer as the Clearing House determines necessary or appropriate in order to effect the Default Portability Rules with respect to Customer's Customer-CM F&O Transactions and the Customer Margin Account, including executing any document or instrument with respect to the Transfer or replacement of the Customer-CM F&O Transaction and/or exercising rights and remedies to terminate or Transfer Customer-CM F&O Transactions, including (without limitation) the execution of any Transfer, or the exercise of any termination notice or the transfer of amounts recorded in the Customer Margin Account. Such appointment shall not be revoked by Customer. Customer shall take such actions as the Clearing House and/or a Transferee Clearing Member may request to give full effect to the Default Portability Rules, including without limitation execution of documentation confirming or agreeing to any terms specified by Transferee Clearing Member pursuant to Rule 904(j).

(e) In connection with any Transfer of Customer-CM F&O Transactions pursuant to the Default Portability Rules, any termination payments owed between Customer and Clearing Member in respect of the relevant Customer-CM F&O Transactions (determined in accordance with the Rules and the provisions of the Customer-Clearing Member Agreement), any termination payments owed between Clearing Member and the Clearing House in respect of the related F&O Contracts (which in each case shall be determined by the Clearing House pursuant to its default rules), any upfront variation margin payments owed between Customer and the Transferee Clearing Member with respect to the initiation of the replacement cleared transactions and any upfront Variation Margin payments owed between such Transferee Clearing Member and the Clearing House with respect to the initiation of replacement F&O Contracts shall be equal.

(f) In the event of an ICE-Declared Default:

(i) There will be a minimum period, after issuance by the Clearing House of a Circular including a Default Notice naming a Clearing Member, for Customers and their Transferee Clearing Members to notify the Clearing House of their agreement that Contracts and/or Margin can be Transferred to a Transferee Clearing Member pursuant to the Default Portability Rules ("**Porting Notice**"). For Customers other than Sponsored Principals, a Porting Notice must be received by the Clearing House within 4 hours of the Default Notice being published in order to be assured of being acted upon, subject to the below. For Sponsored Principals, the minimum period for receipt of Porting Notices is specified in Rule 904. Any Porting Notice, in order to be valid, must:

(A) be in writing;

(B) concern and be duly authorised and executed by a Customer who would not, if it were a Clearing Member, be capable of being declared a Defaulter;

(C) concern and be duly authorised and executed by a Transferee Clearing Member who is not a Defaulter;

(D) be delivered to the Clearing House electronically in the form and to the address specified by the Clearing House;

(E) concern positions which have not already been closed out or Transferred; and

(F) otherwise comply with the requirements of Part 9 of the Rules.

In the case of an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account or Individually Segregated Sponsored Account, a Porting Notice must be in respect of the single Customer interested in the Account in order to be valid. In the case of a Customer Account that is neither an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account nor an Individually Segregated Sponsored Account, the Porting Notice must be in respect of and executed by all Customers interested in the Account in order to be valid.

Subject to Rule 904(c), the Clearing House will act upon Porting Notices received by it within the 4 hour period specified above. The Clearing House may also act upon other Porting Notices received by it after the end of such period, at its discretion. However, Customers and Transferee Clearing Members acknowledge that due to operational constraints and depending on market conditions, it may not be possible for the Clearing House to process all Porting Notices (whether received within the 4 hour period or thereafter) within a reasonable period of time. Porting Notices received within the initial 4 hour period will be prioritised over any other notice. The Clearing House may select Porting Notices to be dealt with in such order as it sees fit, based on such criteria as it determines are relevant, including completeness and due execution of Default Notices, legibility, time of receipt, size of positions, lawfulness of porting, Customer jurisdiction of incorporation or place of business, whether risk increasing or risk decreasing and satisfaction of the requirements of Part 9 of the Rules. The Clearing House will not be obliged to comply with any Porting Notice which has not been acted upon by it:

(A) if the Default Notice was issued before 13:00 hrs on a Business Day prior to the close of business on the same Business Day;

(B) if the Default Notice was issued on a day which is not a Business Day prior to close of business on the next following Business Day; or

(C) if the Default Notice is issued after 13:00 hrs on a Business Day prior to noon of the next following Business Day.

At the end of this period, the Clearing House may, at its sole discretion, terminate any open Contracts and related assets of the Defaulter or undertake other Transfers

under consents provided for in the Rules and these Standard Terms. The deadlines for the delivery of prioritised Porting Notices or for the Clearing House to act upon any Porting Notices may be extended at the Clearing House's discretion by Circular. If, as of the end of the period for acting upon Default Notices, any Customer-CM F&O Transactions have not been Transferred pursuant to the Default Portability Rules, such Customer-CM F&O Transactions shall be deemed terminated, and in such case an early termination date (or similar concept) in respect of the Customer-CM F&O Transactions shall occur under the Customer-Clearing Member Agreement, on the applicable date on which the Clearing House terminates the related F&O Contracts pursuant to Part 9 of the Rules.

(ii) Notwithstanding anything to the contrary in the Customer-Clearing Member Agreement or any other agreement or arrangement between Clearing Member and Customer, the amount payable pursuant to the Customer-Clearing Member Agreement in respect of the termination of the Customer-CM F&O Transactions shall be determined on the basis of the termination value calculated by the Clearing House for the corresponding F&O Contracts pursuant to Part 9 of the Rules but subject always, in the case of amounts due from Clearing Member, to Section 8(c) below. Customer hereby agrees and acknowledges that any determination made by the Clearing House with respect to the termination value of an F&O Contract or a Customer-CM F&O Transaction shall be conclusive and binding upon Customer for this purpose to the same extent that any 'net sum' declared by the Clearing House is conclusive and binding on Clearing Member. The obligation of a Clearing Member to a Customer under a Customer-CM F&O Transaction shall be discharged to the extent that the Clearing House makes payment of any net sum or any part thereof direct to the Customer.

(iii) Customer acknowledges and agrees that the allocation and, subject to Applicable Law, return of available amounts in the relevant Customer Margin Account shall be governed by Part 9 of the Rules, which may reduce or defer Clearing Member's obligations to Customer.

(g) For the avoidance of doubt, nothing in these F&O Standard Terms shall prevent other amounts being due and payable between Clearing Member and Customer as provided for in the Customer-Clearing Member Agreement.

7. ***Consents to Disclosure.***

Customer hereby consents to:

(i) the Clearing House having the right to obtain information in relation to the Customer-CM F&O Transactions from any Market or Repository so as to enable the Clearing House to identify which F&O Contracts and Margin or Permitted Cover between the Clearing House and Clearing Member relate to such Customer-CM F&O Transactions;

(ii) Clearing Member making any disclosures in connection with Customer and Customer-CM F&O Transactions as are required by the Rules and/or Procedures or as are required by Applicable Law;

(iii) disclosures to, use by and disclosures by the Clearing House of information relating to Customer (including the Personal Data of its Data Subjects) pursuant to Rule 106; and

(iv) submissions of and other actions relating to data concerning Customer-CM F&O Transactions by the Clearing House pursuant to Section 12, the Rules and the Procedures.

8. ***Certain Limitations.***

(a) Customer agrees and acknowledges for the benefit of the Clearing House and Clearing Member that: (i) the liability of the Clearing House to Customer shall be excluded and limited as set forth in Rule 111 and specifically that the Clearing House shall have no liability or obligation to Customer in respect of a Customer-CM F&O Transaction or otherwise nor shall it have any duty of care directly to Customer, in any case whether in tort, contract, restitution, in respect of any Contract, pursuant to the Rules, pursuant to a Clearing Membership Agreement, pursuant to these F&O Standard Terms or otherwise, save for any liability which by law may not be excluded, (ii) in no event shall Customer attempt to interfere with the ability of the Clearing House to exercise its rights hereunder or as set forth in the Rules, the Procedures or any Clearing Membership Agreement, and (iii) it is not entitled to, and will not, petition a court or take any action or commence any proceedings against the Clearing House, directly or indirectly and will if any such action is taken fully indemnify the Clearing House against any costs, losses or other consequences of Customer taking any such action. Customer agrees that Clearing Member acts as principal at all times in all its Contracts with the Clearing House.

(b) The Clearing House shall have no responsibility for the compliance by Clearing Member or Customer with its obligations under a Customer-Clearing Member Agreement. The Clearing House shall be under no obligation to enquire into, and shall be fully protected in relying on, any instructions or directions with respect to a Customer Account or the assets recorded therein or transferred thereto or therefrom under the Rules received from a Person that the Clearing House believes to be authorised to act on behalf of Clearing Member.

(c) Customer agrees and acknowledges that the performance and payment obligations of Clearing Member to Customer are limited by and contingent on the actual performance or payment by the Clearing House under the related F&O Contract and that Clearing Member shall have no responsibility for the compliance by the Clearing House (or any person other than that Clearing Member) with its obligations, including without limitation, under any F&O Contract, the Rules or the Procedures. In the event that the Clearing House defaults in or defers or varies the payment or performance of any obligation otherwise owed by it in respect of an F&O Contract

corresponding to a Customer-CM F&O Transaction (including, without limitation, any shortfall in repayment of Permitted Cover or any recovery of less than 100% of amounts owed by the Clearing House or property provided to the Clearing House in circumstances in which Rule 912 applies), Clearing Member will be entitled to make a corresponding deduction, withholding or other reduction from, or tolling or deferring of, any payment or performance otherwise owed by it under such corresponding Customer-CM F&O Transactions and/or to make its performance under such Customer-CM F&O Transactions conditional on performance by the Clearing House under the related F&O Contract (and where any such deduction may be attributable to both Customer-CM F&O Transactions and to Customer Account Contracts of other Customers, Clearing Member shall allocate such deduction among such contracts on a *pro rata* basis) provided that if such defaulted or delayed payment or performance is subsequently obtained by Clearing Member from the Clearing House (in whole or in part), Clearing Member shall thereupon make the corresponding payment or performance (or portion thereof) to Customer.

9. ***Certain Tax Matters.***

Subject always, and without prejudice, to any provisions of a Customer-Clearing Member Agreement: (i) if Clearing Member is required to pay to Clearing House any additional amount under Rule 301(j) or the Contract Terms with respect to an F&O Contract corresponding to a Customer-CM F&O Transaction, Customer shall be obliged to pay to Clearing Member an amount equal to such additional amount (or the applicable portion thereof), but without duplication of any additional amount payable by Customer under any relevant provision of the Customer-Clearing Member Agreement, (ii) for the avoidance of doubt, and without prejudice to the above, if Clearing House deducts or withholds any amount otherwise payable to Clearing Member on an F&O Contract pursuant to Rule 301 or the Contract Terms, Clearing Member shall be entitled to make a corresponding deduction from any amount otherwise payable by Clearing Member to Customer under a corresponding Customer-CM F&O Transaction, and (iii) where such additional amount or deduction may be attributable to both Customer-CM F&O Transactions and to Customer-CM F&O Transactions of other customers, Clearing Member shall allocate such additional amount or deduction among such contracts on a *pro rata* basis.

10. ***Reliance on F&O Transactions and submissions to Repositories etc.***

The Clearing House shall be entitled to assume, without enquiry, that (i) at each Acceptance Time at which a Customer-CM F&O Transaction arises, the respective obligations of Clearing Member and Customer under such Customer-CM F&O Transaction constitutes its legal, valid and binding obligations enforceable in accordance with their respective terms, subject to applicable Insolvency laws or similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles in general application (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) where Customer or Clearing Member are acting out of an office in the United States of America, each of Clearing Member and Customer represents to the other and to the Clearing House that it is an "eligible contract participant" as defined in the US Commodity Exchange Act, as amended and (iii) that the Clearing House is duly

authorised by Clearing Member and Customer to submit, in accordance with the Rules and the Procedures, details of any F&O Transactions or Customer-CM F&O Transaction to a Repository and to amend or delete such records from time to time in accordance with the Rules and the Procedures, in each case subject to Applicable Law. For the avoidance of doubt, Clearing Member shall not take any actions in any Repository of a nature specified in this Section and neither the Clearing House nor Clearing Member will be liable to Customer for any action or omission of the Clearing House as a result of having made such submissions. The sole remedy of Customer in the case of any error shall be to request that Clearing Member request the Clearing House to amend or correct any error pursuant to the Rules or Procedures.

11. ***Third Party Rights.***

The Clearing House shall be entitled to rely upon and enjoy the benefit of the representations, warranties, agreements, obligations and covenants of the Customer under these F&O Standard Terms and shall have the right to enforce such representations, warranties, agreements, obligations and covenants against the parties under the Contracts (Rights of Third Parties) Act 1999. Other than as set out in this Section 11, no persons other than Clearing Member and Customer shall have the right to enforce any provision of these F&O Standard Terms under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

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 19 of the Rules. Any reference to an F&O Contract or Customer-CM F&O 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.

(c) The following provisions of these F&O Standard Terms shall be modified as set out below in connection with an Individually Segregated Sponsored Account:

(i) Section 4(a) shall not apply if the Nominated Bank Account used for the Individually Segregated Sponsored Account is an account of the Sponsored Principal;

(ii) the second sentence of Section 4(b) shall not apply; and the rights of the Sponsored Principal to the assets recorded in the Individually Segregated Sponsored Account shall be as set out in the Rules;

(iii) Sections 6(b)-(e) shall be construed as being modified to the extent that the Default Portability Rules and default rules are modified for Sponsors and Sponsored Principals pursuant to Rule 904 and in particular for purposes of Section 6(b)(iii) the Clearing House shall in addition be entitled to accept the appointment of a new Sponsor pursuant to Rule 904; and

(iv) Sections 8(a)(i) and (iii) and the provisions of the Rules shall instead apply to determine the liability of the Clearing House to the Sponsored Principal.

(d) The Sponsored Principal shall be deemed to represent and warrant to the Sponsor, upon their first date of its holding such status and on each subsequent date that it is a Sponsored

Principal with such Sponsor, that it meets all of the criteria set out in Rule 1901(b) and (d) and is in compliance with all of its obligations under these Rules.

(e) Any asset received by the Sponsor from the Clearing House in respect of an Individually Segregated Sponsored Account shall be treated by the Sponsor and Sponsored Principal as if it had been received by the Sponsor from the Sponsored Principal as collateral (or cover for collateral) pursuant to the Cleared Transactions Master Agreement and these F&O Standard Terms.

**EXHIBIT 3**

**ICE CLEAR EUROPE LIMITED**

**CUSTOMER-CM FX TRANSACTIONS STANDARD TERMS**

**BACKGROUND:**

In respect of a Non-FCM/BD Clearing Member and Customer using a Customer Account other than an Individually Segregated Sponsored Account:

(1) Clearing Member is a Non-FCM/BD Clearing Member, as defined in the rules (together with the procedures, as interpreted in accordance with guidance and circulars thereunder, the "**Rules**") of ICE Clear Europe Limited (the "**Clearing House**") and is thereby permitted to submit certain FX Trade Particulars which, if an FX Acceptance Notice is issued, will result in a cleared FX Contract arising in accordance with the Rules and the FX Procedures of the Clearing House.

(2) Clearing Member and Customer are or intend to become party to one or more Customer-CM FX Transactions, where related cleared FX Contracts are requested or are to be requested by the FX Clearing Member to be recorded in a Customer Position Account in which FX Contracts may be 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 Customer-CM FX Transactions Standard Terms (these "**FX Standard Terms**").

(3) Clearing Member and Customer have established a "master" futures account, clearing agreement or other master agreement (the "**Cleared Transactions Master Agreement**", as amended from time to time) 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 (together, the "**Customer-Clearing Member Agreement**") and as amended and supplemented by these FX Standard Terms).

In respect of a Non-FCM/BD Clearing Member and Customer using an Individually Segregated Sponsored Account:

(4) Clearing Member is a Non-FCM/BD Clearing Member and Customer is a Sponsored Principal, in each case as defined in the Rules, and each of them is thereby permitted to submit certain FX Trade Particulars which, if an FX Acceptance Notice is issued, will result in a cleared FX Contract governed by Part 19 arising in accordance with the Rules and the FX Procedures of the Clearing House.

(5) Clearing Member and Customer are or intend to become party to one or more Customer-CM Transactions on the terms set out in these FX Standard Terms as modified pursuant 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 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**"), Clearing Member and Customer shall distinguish in their books and records Customer-CM FX Transactions from Non-Cleared Transactions to the extent required to enable them to comply with the Rules, the Procedures and these FX Standard Terms.

(e) For purposes of the Customer-Clearing Member Agreement, in the event of any inconsistency among or between the Customer-Clearing Member Agreement, these FX Standard Terms, the Rules and the Procedures with respect to Customer-CM

FX Transactions the following provisions shall prevail in the following order: (i) first, the Rules from time to time; (ii) second, subject to (m) below, the Procedures from time to time; (iii) third, these FX Standard Terms from time to time; and (iv) fourth, the Customer-Clearing Member Agreement.

(f) Customer agrees with Clearing Member that Customer-CM FX Transactions shall be subject to the provisions of the Rules and the Procedures applicable to Customer-CM FX Transactions as such Rules or Procedures are amended, modified, supplemented or restated from time to time. In particular but without limitation, Customer hereby agrees that it shall be bound by, shall comply with and shall facilitate compliance by Clearing Member with the terms and conditions set forth in Parts 5 and 9 of the Rules and Rule 202 in so far as they relate to Customer-CM FX Transactions.

(g) Customer agrees that publication of a Circular by the Clearing House shall constitute valid notice by the Clearing House of any matter under or relating to the Rules, the Procedures, Customer-CM FX Transactions or these FX Standard Terms.

(h) Clearing Member and Customer 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 Clearing Member and Customer, each Customer-CM FX Transaction is intended to reflect exactly the operation of the related FX Contract. In any circumstances in which an FX Contract is netted (in whole or in part), terminated or voided under the Rules, the related Customer-CM FX Transaction will also be netted (in whole or in part), terminate or be voided by reference to the same price as the FX Contract is so netted, terminated or voided and a payment in respect of such price may be payable between Customer and Clearing Member pursuant to the Customer-Clearing Member Agreement or as determined by the Clearing Member. Thereupon, Customer and Clearing Member shall have no further rights and be under no further liability with respect to such Customer-CM FX Transaction(s) (or, if applicable, part thereof) other than in respect of any unpaid payments under such Customer-CM FX Transactions (which shall be payable as and when originally payable). Clearing Member may, at its discretion, elect to continue an equivalent transaction with Customer as a Non-Cleared Transaction.

(i) In addition, without limiting any rights that Clearing Member may have under the Customer-Clearing Member Agreement, if the Clearing House takes any step, including but not limited to the following events or actions, or any such event or action otherwise occurs (in each case including but not limited to any change in Applicable Law or any action taken by any Regulatory Authority pursuant to Applicable Law) in relation to an FX Contract, Clearing Member, at its option and discretion, shall be entitled to take equivalent action (or, if it cannot take equivalent action, it is not advisable to do so or equivalent action would not deal with the matter in hand, other appropriate action) in good faith and in a commercially reasonable manner, in relation to the related Customer-CM FX Transaction and/or

against Customer, including but not limited to terminating, and/or modifying the non-economic terms of, such Customer-CM FX Transaction and/or making adjustments to any determination of amounts paid or payable under the Customer-Clearing Member Agreement:

(i) imposition of a fine or disgorgement payment pursuant to Part 10, any arbitral award or any other payment obligation arising other than pursuant to the Contract Terms or Parts 5 or 11 of the Rules, where the conduct in question is caused by, or in any way due to, the Customer and/or under the Customer-CM FX Transaction;

(ii) any other event or action the effect of which is to create a material mismatch between the rights, obligations or exposures as between Clearing Member and the Clearing House pursuant to an FX Contract on the one hand and the rights, obligations or exposures as between Clearing Member and Customer, including without limitation pursuant to the related Customer-CM FX Transaction, on the other hand; and

(iii) any other event or action the effect of which is to result in any loss, liability, cost, claim, damages or expenses being incurred by Clearing Member in connection with an FX Contract where such event or action does not form part of the FX Contract (and so is not reflected in the related Customer-CM FX Transaction).

(j) Notwithstanding Section 3(c), Clearing Member and Customer may agree different settlement arrangements between Clearing Member and Customer so as to accommodate any particular requirements of Clearing Member or Customer.

(k) Any price or rate determined by the Clearing House as Calculation Agent or otherwise under the Rules in relation to an FX Contract shall be used as the same price or rate by the Clearing Member in relation to the related Customer-CM FX Transaction(s).

(l) Customer shall not be entitled to serve any type of notice under a Customer-CM FX Transaction in circumstances in which or by means that the Clearing Member would not, by virtue of the Rules or FX Procedures, be entitled to serve a corresponding notice on the Clearing House in relation to the corresponding FX Contract. Clearing Member and the Clearing House shall be entitled to treat any service of a notice in breach of this provision as invalid.

(m) Clearing Member may, but (subject as otherwise agreed) is not obliged to, deliver any electronic notices in relation to Customer-CM FX Transactions at the times allowed under the Rules and Procedures.

(n) These FX Standard Terms may, pursuant to the process provided for in Section 2 of these FX Standard Terms, from time to time, incorporate additional standard terms published by the Clearing House so as to establish mechanics for dealing with the relationship between FX Contracts and Customer-CM FX Transactions until

such time as market infrastructure solutions are available to address the relevant operational issues. Such additional standard terms shall form part of these FX Standard Terms, may (if so specified) prevail over the applicable Procedures in respect of Customer-CM FX Transactions and may be amended and/or withdrawn only as provided for in Section 2 of these FX Standard Terms.

(o) On each date on which the Customer has any open Customer-CM FX Transaction, the Customer shall represent that the Clearing House is not prevented from entering into any Contract nor is the Clearing Member prevented from entering into any Customer-CM FX Transaction as a result of any Sanctions affecting the Customer or any of its assets.

(p) Each Customer or Indirect Client that has chosen individual segregation through usage of a Margin-flow Co-mingled Account or Segregated Gross Indirect Account shall be deemed to have appointed and authorised the Clearing Member to determine how the different classes of Permitted Cover should be transferred to the Clearing House in respect of the Margin-flow Co-mingled Account or Segregated Gross Indirect Account in which positions relating to such Customer are registered, for purposes of and including in each of the manners set forth in, Rule 503(k).

4. ***Margin Requirements.***

(a) Subject as agreed otherwise in the Customer-Clearing Member Agreement, Clearing Member shall be entitled to require each of its Customers in respect of FX Contracts to provide margin (or permitted cover in respect thereof) in an amount no less than the amount of Margin of each relevant type required on a gross basis by the Clearing House with respect to the relevant Open Contract 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 in circumstances in which the Clearing Member's, 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 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-CM FX Transaction with the Transferor Clearing Member shall be deemed terminated at the same time that the replacement FX Contract and related Customer-CM FX Transaction is entered into. Customer shall take no action, including but not limited to attempting to obtain a court order, that could interfere with the ability of the Clearing House to take action contemplated by Part 9 of the Rules, including, without limitation, the Transfer of FX Contracts and Customer-CM FX Transactions, the transfer of any related Margin or other collateral or cover (or contingent cover) for the same or the imposition of the Transferee Clearing Member's form of Customer-Clearing Member Agreement where so permitted under the Default Portability Rules.

(d) Customer hereby appoints the Clearing House as its lawful agent and attorney-in-fact to take such actions on behalf of the Customer as the Clearing House determines necessary or appropriate in order to effect the Default Portability Rules with respect to Customer's Customer-CM FX Transactions and the Customer Margin Account, including executing any document or instrument with respect to the Transfer or replacement of the Customer-CM FX Transaction and/or exercising rights and remedies to terminate or Transfer Customer-CM FX Transactions, including (without limitation) the execution of any Transfer, or the exercise of any

termination notice or the transfer of amounts recorded in the Customer Margin Account. Such appointment shall not be revoked by Customer. Customer shall take such actions as the Clearing House and/or a Transferee Clearing Member may request to give full effect to the Default Portability Rules, including without limitation execution of documentation confirming or agreeing to any terms specified by Transferee Clearing Member pursuant to Rule 904(j).

(e) In connection with any Transfer of Customer-CM FX Transactions pursuant to the Default Portability Rules, any termination payments owed between Customer and Clearing Member in respect of the relevant Customer-CM FX Transactions (determined in accordance with the Rules and the provisions of the Customer-Clearing Member Agreement), any termination payments owed between Clearing Member and the Clearing House in respect of the related FX Contracts (which in each case shall be determined by the Clearing House pursuant to its default rules), any upfront mark-to-market margin payments owed between Customer and the Transferee Clearing Member with respect to the initiation of the replacement cleared transactions and any upfront FX Mark-to-Market Margin payments owed between such Transferee Clearing Member and the Clearing House with respect to the initiation of replacement FX Contracts shall be equal.

(f) In the event of an ICE-Declared Default:

(i) There will be a minimum period, after issuance by the Clearing House of a Circular including a Default Notice naming a Clearing Member, for Customers and their Transferee Clearing Members to notify the Clearing House of their agreement that Contracts and/or Margin can be Transferred to a Transferee Clearing Member pursuant to the Default Portability Rules ("**Porting Notice**"). For Customers other than Sponsored Principals, a Porting Notice must be received by the Clearing House within 4 hours of the Default Notice being published in order to be assured of being acted upon, subject to the below. For Sponsored Principals, the minimum period for receipt of Porting Notices is specified in Rule 904. Any Porting Notice, in order to be valid, must:

(A) be in writing;

(B) concern and be duly authorised and executed by a Customer who would not, if it were a Clearing Member, be capable of being declared a Defaulter;

(C) concern and be duly authorised and executed by a Transferee Clearing Member who is not a Defaulter;

(D) be delivered to the Clearing House electronically in the form and to the address specified by the Clearing House;

(E) concern positions which have not already been closed out or Transferred; and

(F) otherwise comply with the requirements of Part 9 of the Rules.

In the case of an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account or Individually Segregated Sponsored Account, a Porting Notice must be in respect of the single Customer interested in the Account in order to be valid. In the case of a Customer Account that is neither an Individually Segregated Margin-flow Co-mingled Account, Standard Omnibus Indirect Account, Segregated Gross Indirect Account nor an Individually Segregated Sponsored Account, the Porting Notice must be in respect of and executed by all Customers interested in the Account in order to be valid.

Subject to Rule 904(c), the Clearing House will act upon Porting Notices received by it within the 4 hour period specified above. The Clearing House may also act upon other Porting Notices received by it after the end of such period, at its discretion. However, Customers and Transferee Clearing Members acknowledge that due to operational constraints and depending on market conditions, it may not be possible for the Clearing House to process all Porting Notices (whether received within the 4 hour period or thereafter) within a reasonable period of time. Porting Notices received within the initial 4 hour period will be prioritised over any other notice. The Clearing House may select Porting Notices to be dealt with in such order as it sees fit, based on such criteria as it determines are relevant, including completeness and due execution of Default Notices, legibility, time of receipt, size of positions, lawfulness of porting, Customer jurisdiction of incorporation or place of business, whether risk increasing or risk decreasing and satisfaction of the requirements of Part 9 of the Rules. The Clearing House will not be obliged to comply with any Porting Notice which has not been acted upon by it:

(A) if the Default Notice was issued before 13:00 hrs on a Business Day prior to the close of business on the same Business Day;

(B) if the Default Notice was issued on a day which is not a Business Day prior to close of business on the next following Business Day; or

(C) if the Default Notice is issued after 13:00 hrs on a Business Day prior to noon of the next following Business Day.

At the end of this period, the Clearing House may, at its sole discretion, terminate any open Contracts and related assets of the Defaulter or undertake other Transfers under consents provided for in the Rules and these Standard Terms. The deadlines for the delivery of prioritised Porting Notices or for the Clearing House to act upon any Porting Notices may be extended at the Clearing House's discretion by Circular. If, as of the end of the period for acting upon Default Notices, any Customer-CM FX Transactions have not been Transferred pursuant to the Default Portability Rules, such Customer-CM FX Transactions shall be deemed terminated, and in such case an early termination date (or similar concept) in respect of the Customer-CM FX Transactions shall occur under the Customer-Clearing Member Agreement,

on the applicable date on which the Clearing House terminates the related FX Contracts pursuant to Part 9 of the Rules.

(ii) Notwithstanding anything to the contrary in the Customer-Clearing Member Agreement or any other agreement or arrangement between Clearing Member and Customer, the amount payable pursuant to the Customer-Clearing Member Agreement in respect of the termination of the Customer-CM FX Transactions shall be determined on the basis of the termination value calculated by the Clearing House for the corresponding FX Contracts pursuant to Part 9 of the Rules but subject always, in the case of amounts due from Clearing Member, to Section 8(c) below. Customer hereby agrees and acknowledges that any determination made by the Clearing House with respect to the termination value of a FX Contract or a Customer-CM FX Transaction shall be conclusive and binding upon Customer for this purpose to the same extent that any 'net sum' declared by the Clearing House is conclusive and binding on Clearing Member. The obligation of a Clearing Member to a Customer under a Customer-CM FX Transaction shall be discharged to the extent that the Clearing House makes payment of any net sum or any part thereof direct to the Customer.

(iii) Customer acknowledges and agrees that the allocation and, subject to Applicable Law, return of available amounts in the relevant Customer Margin Account shall be governed by Part 9 of the Rules, which may reduce or defer Clearing Member's obligations to Customer.

(g) For the avoidance of doubt, nothing in these FX Standard Terms shall prevent other amounts being due and payable between Clearing Member and Customer as provided for in the Customer-Clearing Member Agreement.

7. ***Consents to Disclosure.***

Customer hereby consents to:

(i) the Clearing House having the right to obtain information in relation to the Customer-CM FX Transactions from any FX Trade Execution/Processing Platform or Repository so as to enable the Clearing House to identify which FX Contracts and Margin or Permitted Cover between the Clearing House and Clearing Member relate to such Customer-CM FX Transactions;

(ii) Clearing Member making any disclosures in connection with Customer and Customer-CM FX Transactions as are required by the Rules and/or Procedures or as are required by Applicable Law;

(iii) disclosures to, use by and disclosures by the Clearing House of information relating to Customer (including the Personal Data of its Data Subjects) pursuant to Rule 105(c); and

(iv) submissions of and other actions relating to data concerning Customer-CM FX Transactions by the Clearing House pursuant to Section 12, the Rules and the Procedures.

8. ***Certain Limitations.***

(a) Customer agrees and acknowledges for the benefit of the Clearing House and Clearing Member that: (i) the liability of the Clearing House to Customer shall be excluded and limited as set forth in Rule 111 and specifically that the Clearing House shall have no liability or obligation to Customer in respect of a Customer-CM FX Transaction or otherwise nor shall it have any duty of care directly to Customer, in any case whether in tort, contract, restitution, in respect of any Contract, pursuant to the Rules, pursuant to a Clearing Membership Agreement, pursuant to these FX Standard Terms or otherwise, save for any liability which by law may not be excluded, (ii) in no event shall Customer attempt to interfere with the ability of the Clearing House to exercise its rights hereunder or as set forth in the Rules, the Procedures or any Clearing Membership Agreement, and (iii) it is not entitled to, and will not, petition a court or take any action or commence any proceedings against the Clearing House, directly or indirectly and will if any such action is taken fully indemnify the Clearing House against any costs, losses or other consequences of Customer taking any such action. Customer agrees that Clearing Member acts as principal at all times in all its Contracts with the Clearing House.

(b) The Clearing House shall have no responsibility for the compliance by Clearing Member or Customer with its obligations under a Customer-Clearing Member Agreement. The Clearing House shall be under no obligation to enquire into, and shall be fully protected in relying on, any instructions or directions with respect to a Customer Account or the assets recorded therein or transferred thereto or therefrom under the Rules received from a Person that the Clearing House believes to be authorised to act on behalf of Clearing Member.

(c) Customer agrees and acknowledges that the performance and payment obligations of Clearing Member to Customer are limited by and contingent on the actual performance or payment by the Clearing House under the related FX Contract and that Clearing Member shall have no responsibility for the compliance by the Clearing House (or any person other than that Clearing Member) with its obligations, including without limitation, under any FX Contract, the Rules or the Procedures. In the event that the Clearing House defaults in or defers or varies the payment or performance of any obligation otherwise owed by it in respect of an FX Contract corresponding to a Customer-CM FX Transaction (including, without limitation, any shortfall in repayment of Permitted Cover or any recovery of less than 100% of amounts owed by the Clearing House or property provided to the Clearing House in circumstances in which Rule 912 applies), Clearing Member will be entitled to make a corresponding deduction, withholding or other reduction from, or tolling or deferring of, any payment or performance otherwise owed by it under such corresponding Customer-CM FX Transactions and/or to make its performance under such Customer-CM FX Transactions conditional on performance by the Clearing House

under the related FX Contract (and where any such deduction may be attributable to both Customer-CM FX Transactions and to Customer Account Contracts of other Customers, Clearing Member shall allocate such deduction among such contracts on a *pro rata* basis) provided that if such defaulted or delayed payment or performance is subsequently obtained by Clearing Member from the Clearing House (in whole or in part), Clearing Member shall thereupon make the corresponding payment or performance (or portion thereof) to Customer.

9. ***Certain Tax Matters.***

Subject always, and without prejudice, to any provisions of a Customer-Clearing Member Agreement: (i) if Clearing Member is required to pay to Clearing House any additional amount under Rule 301(j) or the Contract Terms with respect to an FX Contract corresponding to a Customer-CM FX Transaction, Customer shall be obliged to pay to Clearing Member an amount equal to such additional amount (or the applicable portion thereof), but without duplication of any additional amount payable by Customer under any relevant provision of the Customer-Clearing Member Agreement, (ii) for the avoidance of doubt, and without prejudice to the above, if Clearing House deducts or withholds any amount otherwise payable to Clearing Member on an FX Contract pursuant to Rule 301 or the Contract Terms, Clearing Member shall be entitled to make a corresponding deduction from any amount otherwise payable by Clearing Member to Customer under a corresponding Customer-CM FX Transaction, and (iii) where such additional amount or deduction may be attributable to both Customer-CM FX Transactions and to Customer-CM FX Transactions of other customers, Clearing Member shall allocate such additional amount or deduction among such contracts on a *pro rata* basis.

10. ***Reliance on FX Trade Particulars and submissions to Repositories etc.***

The Clearing House shall be entitled to assume, without enquiry, that (i) at each Acceptance Time at which a Customer-CM FX Transaction arises, the respective obligations of Clearing Member and Customer under such Customer-CM FX Transaction constitutes its legal, valid and binding obligations enforceable in accordance with their respective terms, subject to applicable Insolvency laws or similar Applicable Laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles in general application (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) where Customer or Clearing Member are acting out of an office in the United States of America, each of Clearing Member and Customer represents to the other and to the Clearing House that it is an "eligible contract participant" as defined in the US Commodity Exchange Act, as amended and (iii) that the Clearing House is duly authorised by Clearing Member and Customer to submit, in accordance with the Rules and the Procedures, details of any FX Trade Particulars or Customer-CM FX Transaction to a Repository and to amend or delete such records from time to time in accordance with the Rules and the Procedures, in each case subject to Applicable Law. For the avoidance of doubt, Clearing Member shall not take any actions in any Repository of a nature specified in this Section and neither the Clearing House nor Clearing Member will be liable to Customer for any action or omission of the Clearing House as a result of having made such submissions. The sole remedy of Customer in the case of any error shall be to request that

Clearing Member request the Clearing House to amend or correct any error pursuant to the Rules or Procedures.

11. ***Third Party Rights.***

The Clearing House shall be entitled to rely upon and enjoy the benefit of the representations, warranties, agreements, obligations and covenants of the Customer under these FX Standard Terms and shall have the right to enforce such representations, warranties, agreements, obligations and covenants against the parties under the Contracts (Rights of Third Parties) Act 1999. Other than as set out in this Section 11, no persons other than Clearing Member and Customer shall have the right to enforce any provision of these FX Standard Terms under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

12. ***Miscellaneous.***

(a) ***Entire Agreement***. These FX 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 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.

(c) The following provisions of these FX Standard Terms shall be modified as set out below in connection with an Individually Segregated Sponsored Account:

(i) Section 4(a) shall not apply if the Nominated Bank Account used for the Individually Segregated Sponsored Account is an account of the Sponsored Principal;

(ii) the second sentence of Section 4(b) shall not apply; and the rights of the Sponsored Principal to the assets recorded in the Individually Segregated Sponsored Account shall be as set out in the Rules;

(iii) Sections 6(b)-(e) shall be construed as being modified to the extent that the Default Portability Rules and default rules are modified for Sponsors and Sponsored Principals pursuant to Rule 904 and in particular for purposes of paragraph 6(b)(iii) the Clearing House shall in addition be entitled to accept the appointment of a new Sponsor pursuant to Rule 904; and

(iv) Sections 8(a)(i) and (iii) and the provisions of the Rules shall instead apply to determine the liability of the Clearing House to the Sponsored Principal.

(d) The Sponsored Principal shall be deemed to represent and warrant to the Sponsor, upon their first date of its holding such status and on each subsequent date that it is a Sponsored Principal with such Sponsor, that it meets all of the criteria set out in Rule 1901(b) and (d) and is in compliance with all of its obligations under these Rules.

(e) Any asset received by the Sponsor from the Clearing House in respect of an Individually Segregated Sponsored Account shall be treated by the Sponsor and Sponsored Principal as if it had been received by the Sponsor from the Sponsored Principal as collateral (or cover for collateral) pursuant to the Cleared Transactions Master Agreement and these FX Standard Terms.

# EXHIBIT 4

# ICE CLEAR EUROPE LIMITED

# SETTLEMENT AND NOTICES TERMS

## 1. APPLICATION AND INTERPRETATION

These settlement and notices terms (the "**Settlement and Notices Terms**") apply to all Customer-CM CDS Transactions and to the clearing arrangements between an FCM/BD CDS Clearing Member and its FCM/BD Customers and, in each case, to the related CDS Contracts (the term "**CDS Contract**", as used in these Settlement and Notices Terms, being restricted to CDS Contracts in a CDS Chain, as described below). Notwithstanding the previous sentence but without prejudice to the terms of any CDS Contract or Customer-CM CDS Transaction, a Clearing Member and its Customer may agree in their clearing arrangements or otherwise to vary or override the terms of these Settlement and Notices Terms as between themselves only, in respect of the Customer-CM CDS Transaction between them or, in the case of an FCM/BD Customers, the clearing arrangements between them, provided that this shall not result in any amendment to the terms, or required performance under, any Customer-CM CDS Transaction to which such parties are not both a party or to any CDS Contract. These Settlement and Notices Terms apply equally to Sponsors and Sponsored Principals, respectively, as they apply to FCM/BD CDS Clearing Members and FCM/BD Customers, respectively.

These Settlement and Notices Terms are published by the Clearing House as an exhibit to the Rules. They are incorporated into the Contract Terms of CDS Contracts under Rule 1502 and are part of the terms of Customer-CM CDS Transactions pursuant to the CDS Standard Terms (and, in relation to FCM/BD CDS Clearing Members and Sponsors, are incorporated by reference into the clearing agreements between FCM/BD CDS Clearing Members or Sponsors and their Customers or Sponsored Principals, respectively). These Settlement and Notices Terms shall be governed by and construed in accordance with the law governing the CDS Contract, Customer-CM CDS Transaction or clearing arrangement into which they are incorporated and shall be subject to such dispute resolution mechanisms and procedures and such courts or other forum for hearing disputes as are applicable in respect of such CDS Contract, Customer-CM CDS Transaction and/or clearing arrangement, in each case of which they form part, as applicable. Each Clearing Member, Sponsor, Customer and Sponsored Principal to which these Settlement and Notices Terms apply hereby waives any right to object to any such choice of law or proceedings on the basis of *forum non conveniens*, that the governing law or forum is not specified on the face of this document or otherwise.

These Settlement and Notices Terms are intended to apply in their present form pending broader industry discussion of other possible solutions, possibly in connection with technological progress, and may be amended as any further technological or industry developments take place. Any amendments, modifications, restatements or supplements in respect of these Settlement and Notices Terms shall be effective if made by the Clearing House pursuant to the provisions of Rule 109 as if these Settlement and Notices Terms were Rules and as if Rule 109 applied to Customers of CDS Clearing Members and Sponsored Principals in addition to, and in the same way as it applies to, Clearing Members and Sponsors. At the request of a CDS Clearing Member, a Sponsor

or the Clearing House, a Customer of that CDS Clearing Member or Sponsored Principal in relation to that Sponsor will enter into a written confirmation of its agreement to the terms of these Settlement and Notices Terms or any amendment, modification, supplement or restatement made to them.

In the event of any inconsistency between any provision of the Rules, CDS Procedures or CDS Standard Terms and any provision of these Settlement and Notices Terms, Rule 102(f) shall apply to determine which provision prevails.

Capitalised terms used, but not defined, in these Settlement and Notices Terms shall have the meanings given to them in the Rules, CDS Procedures, and Standard Terms (together, the "**ICE Documentation**") as applicable, and in the order of priority specified in Rule 102(f) in the event and to the extent of any conflict.

These Settlement and Notices Terms are intended to establish the processes for dealing with certain aspects of Physical Notices. "**Physical Notices**" mean those notices that may be delivered in connection with the terms of CDS Contracts and, where applicable, Customer-CM CDS Transactions (other than Electronic Notices and other equivalent electronic notices under Customer-CM CDS Transactions which are or are required pursuant to the Rules or CDS Procedures to be given through Deriv/SERV) but excluding any notices that may be delivered solely pursuant to the bilateral clearing arrangements existing between any Clearing Member and its Customer or between any Sponsor and its Sponsored Principal and excluding also notices arising under the Rules that are not specific to the terms of a CDS Contract or Customer-CM CDS Transaction.

For the avoidance of doubt, nothing herein is intended to or shall create any additional obligations or liability for Clearing Members or Sponsors to their Customers or Sponsored Principals, respectively, for the performance of the Clearing House, which is limited pursuant to the Standard Terms or the clearing arrangements between a Clearing Member or Sponsor and its Customer or Sponsored Principal.

References to "**Sections**" herein are to sections of these Settlement and Notices Terms, unless specified otherwise.

These Settlement and Notices Terms are intended to amend and supplement the contractual relationships created pursuant to the documentation referred to herein; they are not intended to create new contractual relationships between parties which would not otherwise exist.

## 2. THE SETTLEMENT AND NOTICES TERMS

### 2.1 Provisions Applicable to all Physical Notices

(a) These Settlement and Notice Terms apply where there is a chain of transactions (each a "**CDS Chain**") for which:

(i) a Clearing Member ("**Clearing Member A**") is the protection buyer under a CDS Contract with the Clearing House;

(ii) Clearing Member A may have entered into a related Customer-CM CDS Transaction with, or if it is an FCM/BD CDS Clearing Member may be party to the CDS Contract on behalf of, its Customer ("**Customer A**");

(iii) a Matched Pair has been created pursuant to which Clearing Member A is a Matched CDS Buyer with Clearing Member B (defined below) in respect of the CDS Contract referred to in (i) above;

(iv) a Clearing Member ("**Clearing Member B"**) is the protection seller under a CDS Contract with the Clearing House and is the Matched CDS Seller in respect of such CDS Contract in the Matched Pair with Clearing Member A referred in (iii) above; and

(v) Clearing Member B may have entered into a related Customer-CM CDS Transaction with, or if it is an FCM/BD CDS Clearing Member may be party to the CDS Contract on behalf of, its Customer ("**Customer B**"),

but will not apply to a CDS Chain in which there is neither a Customer A nor a Customer B. Accordingly a CDS Chain may involve:

(A) Customer A, Clearing Member A, the Clearing House, Clearing Member B and Customer B;

(B) Customer A, Clearing Member A, the Clearing House and Clearing Member B; or

(C) Clearing Member A, the Clearing House, Clearing Member B and Customer B.

**Non FCM/BD CDS Clearing Members and their Customers**

(b) A Physical Notice from a Customer to its Non-FCM/BD CDS Clearing Member will only be deemed to be effective for purposes of a Customer-CM CDS Transaction if and when a Physical Notice of an equivalent type has been delivered by such Non-FCM/BD CDS Clearing Member pursuant to and in accordance with the related CDS Contract and is effective pursuant to the terms of such CDS Contract (which may, for the avoidance of doubt, be by delivery to the other Clearing Member in a Matched Pair as designee for the Clearing House in accordance with the ICE Documentation).

(c) If a Physical Notice is delivered by a Non-FCM/BD CDS Clearing Member to the Clearing House (which may, for the avoidance of doubt, be by delivery to the other Clearing Member in a Matched Pair as designee for the Clearing House in accordance with the ICE Documentation) under a CDS Contract, the Non-FCM/BD CDS Clearing Member's Customer, if any, will be deemed to have delivered at the same time to such Non-FCM/BD CDS Clearing Member, pursuant to and in accordance with the related Customer-CM CDS Transaction, a Physical Notice of

an equivalent type and with identical content and effect to that delivered by such Non FCM/BD CDS Clearing Member under such CDS Contract.

(d) An effective Physical Notice that has been delivered to a Non-FCM/BD CDS Clearing Member by the Clearing House (which may, for the avoidance of doubt, be by delivery by the other Clearing Member in a Matched Pair on behalf of the Clearing House in accordance with the ICE Documentation) pursuant to a CDS Contract shall, subject to the terms of the clearing arrangement between such Clearing Member and its Customer, be deemed to constitute the effective delivery at the same time of a Physical Notice of an equivalent type and with identical content and effect by such Clearing Member to its Customer, if any, under the related Customer-CM CDS Transaction, regardless of whether or when the Customer actually receives such or a corresponding Physical Notice from such Clearing Member under the Customer-CM CDS Transaction.

(e) Each Non-FCM/BD CDS Clearing Member agrees for the benefit of each of its Customers that, if such Customer delivers any Physical Notice which it is permitted to deliver under a Customer-CM CDS Transaction and which would, in the absence of Section 2.1(b) of these Settlement and Notices Terms, be effective pursuant to such Customer-CM CDS Transaction and any clearing arrangements between them, the Non-FCM/BD CDS Clearing Member will, subject to the terms of the related CDS Contract and the ICE Documentation, deliver a corresponding Physical Notice under the relevant CDS Contract no later than two (2) hours after effective receipt by such Non-FCM/BD CDS Clearing Member of such Physical Notice from such Customer.

(f) Each Non-FCM/BD CDS Clearing Member agrees for the benefit of each of its Customers that, if it (i) receives a Physical Notice pursuant to a CDS Contract or (ii) gives a Physical Notice that is effective pursuant to the terms of a CDS Contract, it will, subject to the terms of the CDS Contract, the ICE Documentation, the clearing arrangements between them, and the terms of any related Customer-CM CDS Transaction, deliver a copy of such Physical Notice to Customer no later than two (2) hours after effective receipt or delivery by it of such notice.

**FCM/BD CDS Clearing Members and their Customers**

(g) Each FCM/BD CDS Clearing Member agrees for the benefit of each of its Customers that, if such Customer delivers any request or instruction to such FCM/BD CDS Clearing Member to deliver a Physical Notice under a CDS Contract (that such FCM/BD CDS Clearing Member is permitted to deliver) and where such request or instruction is effective pursuant to both (i) the clearing arrangements between them and (ii) these Settlement and Notice Terms, the FCM/BD CDS Clearing Member will, subject to the terms of the relevant CDS Contract and the ICE Documentation, deliver such Physical Notice under the relevant CDS Contract no later than two (2) hours after effective receipt by the FCM/BD CDS Clearing Member of such request or instruction.

(h) An effective Physical Notice that has been delivered to an FCM/BD CDS Clearing Member by the Clearing House (which may, for the avoidance of doubt, be by delivery by the other Clearing Member in a Matched Pair on behalf of the Clearing House in accordance with the ICE Documentation) pursuant to a CDS Contract shall, subject to the terms of the clearing arrangement between such FCM/BD CDS Clearing Member and its Customer, be deemed to have been copied to and bind its Customer, if any, at the same time, regardless of if or when the Customer actually receives such Physical Notice or copy of such Physical Notice or any corresponding notice from such FCM/BD CDS Clearing Member or any other Person.

(i) Each FCM/BD CDS Clearing Member agrees for the benefit of each of its Customers that, if it (i) receives a Physical Notice pursuant to a CDS Contract or (ii) gives a Physical Notice that is effective pursuant to the terms of a CDS Contract, it will, subject to the terms of the CDS Contract, the ICE Documentation and the clearing arrangements between them, deliver a copy of such Physical Notice to Customer no later than two (2) hours after effective receipt or delivery by it of such notice.

2.2 Credit Event Notices and Notices to Exercise Movement Option

No Customer may deliver any Restructuring Credit Event Notice or Notice to Exercise Movement Option or an instruction to deliver the same other than pursuant to the Electronic Notice Process.

2.3 Notices

(a) For the purposes of determining, as between each Clearing Member and its Customer only, (A) when notices, requests or instructions delivered by a Customer to a Clearing Member pursuant to their clearing arrangements and, if applicable a Customer-CM CDS Transaction are treated as received or given; and (B) when notices received or given by a Clearing Member must be copied by a Clearing Member to its Customer, in each case pursuant to Section 2.1 of these Settlement and Notices Terms, the following shall apply:

(i) (A) a notice, request or instruction received from a Customer or (B) a notice given by the Clearing Member pursuant to a CDS Contract, in each case on or after 9:00 am and on or prior to 4:00 pm (in each case Calculation Agent City time) on a Calculation Agent City Business Day will be effective at the time received (as referred to in (A)) or given (as referred to in (B));

(ii) (A) a notice, request or instruction received from a Customer or (B) a notice given by the Clearing Member pursuant to a CDS Contract, in each case prior to 9:00 am (in each case Calculation Agent City time) on a Calculation Agent City Business Day will be effective at 9:00 am Calculation Agent City time on such Calculation Agent City Business Day; and

(iii) (A) a notice, request or instruction received from a Customer or (B) a notice given by the Clearing Member pursuant to a CDS Contract, in each case on a day that is not a Calculation Agent City Business Day or after 4:00 pm

(Calculation Agent City time) on a day that is a Calculation Agent City Business Day, will be effective at 9:00 am Calculation Agent City time on the next following Calculation Agent City Business Day.

A deemed notice, request or instruction under a Customer-CM CDS Transaction will be deemed to be given at the same times as the notice, request or instruction is treated as given or received under the related CDS Contract pursuant to this Section 2.3(a).

Terms used but not defined in this Section 2.3(a) shall have the meanings given to them in the relevant CDS Contract.

(b) Any notice required to be delivered pursuant to these Settlement and Notices Terms shall be delivered in accordance with the terms of the relevant CDS Contract or, if applicable, Customer-CM CDS Transaction, the ICE Documentation and the clearing arrangements applicable between a Clearing Member and its Customer. Subject to paragraph 6.2 and paragraph 6.3 of the CDS Procedures and these Settlement and Notices Terms, section 1.10 (*Requirements Regarding Notices*) of the 2003 Credit Derivatives Definitions or section 1.38 of the 2014 Credit Derivatives Definitions, as applicable, will apply to all such notices.

2.4 Delivery of Deliverable Obligations

(a) Customer A, Clearing Member A, Clearing Member B and Customer B may, if they wish and subject to Applicable Law, in any instance where Physical Settlement applies, arrange among themselves for delivery versus payment as between any two of them in satisfaction of the obligations of the relevant parties in the CDS Chain agreeing to such arrangement (including the Clearing House where the obligations of the two Clearing Members to each other are so satisfied). In any instance in which a Customer makes or receives delivery or payment on behalf of its Clearing Member pursuant to such arrangements, the Customer will be treated as a Representative and designee of the Clearing Member.

(b) To the extent that no arrangement of a nature referred to in Section 2.4(a) is established, the remaining provisions of this Section 2.4 shall apply in connection with Physical Settlement of CDS Contracts and Customer-CM CDS Transactions, if any.

(c) Delivery of Deliverable Obligations by Customer A, if any, under a Customer-CM CDS Transaction will only be deemed to have been effectively made if and when Clearing Member A has Delivered under the related CDS Contract Deliverable Obligations, having an outstanding principal balance (or, if applicable, a Due and Payable Amount) equal to that Delivered to it by Customer A, which may for the avoidance of doubt, be by way of Delivery to Clearing Member B as designee for the Clearing House in accordance with the ICE Documentation. Consequently, no payment is due from Clearing Member A to Customer A upon delivery by Customer A of such Deliverable Obligations to Clearing Member A until the

corresponding Physical Settlement Amount or Cash Settlement Amount is paid to Customer A pursuant to the CDS Contract.

(d) Each Clearing Member covenants separately for the benefit of each of its Customers A that if it is acting as Clearing Member A and receives Delivery of a Deliverable Obligation from its Customer for purposes of settlement under a CDS Contract or Customer-CM CDS Transaction, it will, in accordance with the relevant CDS Contract, the ICE Documentation and the clearing arrangements between such Clearing Member and its Customer, Deliver Deliverable Obligations (which, for the avoidance of doubt need not correspond to those Delivered to it by the Customer) no later than the first Business Day following the day on which a trade in the relevant Deliverable Obligations would, if effected on the day of receipt by such Clearing Member A of such Deliverable Obligations from Customer A, be settled in accordance with customary practice. On each occasion on which a Customer of an FCM/BD CDS Clearing Member Delivers Deliverable Obligations to its FCM/BD CDS Clearing Member, such Customer will be deemed to make the representations in section 9.2 of the 2003 Credit Derivatives Definitions or section 11.2 of the 2014 Credit Derivatives Definitions, as applicable, as if it were party as Buyer to a Customer-CM CDS Transaction with such FCM/BD CDS Clearing Member.

(e) For the purposes of sections 9.3, 9.4, 9.5, 9.6, 9.9 and 9.10 of the 2003 Credit Derivatives Definitions and sections 9.1, 9.2, 9.3, 9.4, 9.7 and 9.8 of the 2014 Credit Derivatives Definitions but subject to any other provision of these Settlement and Notices Terms, the ICE Documentation and the clearing arrangements between a Clearing Member and its Customer which provides for an alternative means of settlement (or no settlement), when Clearing Member B receives Delivery of Deliverable Obligations pursuant to a CDS Contract where Clearing Member B is party to a related Customer-CM CDS Transaction with Customer B, Delivery of Deliverable Obligations with an outstanding principal balance (or, if applicable, a Due and Payable Amount) equal to that Delivered to Clearing Member B pursuant to such CDS Contract will be deemed to have been made by Clearing Member B to Customer B, whether or not Customer B actually receives Delivery from Clearing Member B.

(f) Each Clearing Member covenants separately for the benefit of each of its Customers B that if it is acting as Clearing Member B and receives Deliverable Obligations pursuant to the terms of a CDS Contract where the Clearing Member is party to a related Customer-CM CDS Transaction with Customer B, it will, in accordance with the Standard Terms, the terms of such Customer-CM CDS Transaction, and the clearing arrangements between Clearing Member B and Customer B, Deliver Deliverable Obligations with an outstanding principal balance (or, if applicable, a Due and Payable Amount) equal to that Delivered to Clearing Member B under the relevant CDS Contract on or prior to the first Business Day following the date on which a trade in the relevant Deliverable Obligations would, if effected on the day of receipt by such Clearing Member B of such Deliverable

Obligations, settle in accordance with customary practice. For the purposes of this covenant only, Section 2.4(e) shall be deemed not to apply.

(g) For the avoidance of doubt, if Customer A has delivered Deliverable Obligations to Clearing Member A but the relevant CDS Contract to which Clearing Member A is party is not physically settled for any reason, Clearing Member A shall return Obligations equivalent to the Deliverable Obligations to Customer A as soon as reasonably practicable.

2.5 Fallback to Cash Settlement

(a) In respect of any CDS Chain where there is a Customer A, if fallback to Cash Settlement applies under the Customer-CM CDS Transaction between Clearing Member A and Customer A (or, where Clearing Member A is an FCM/BD CDS Clearing Member, the relevant CDS Contract would fall back to Cash Settlement if Customer A were alone party to such CDS Contract as protection buyer), then all CDS Contracts and any Customer-CM CDS Transactions in such CDS Chain shall be subject to a fallback to Cash Settlement in accordance with either Rule 1513 or Article 9 of the Applicable Credit Derivatives Definitions, depending on the reason for the fallback to Cash Settlement.

(b) If fallback to Cash Settlement applies under a CDS Contract in a CDS Chain then all CDS Contracts and any Customer-CM CDS Transactions in such CDS Chain shall be subject to a fallback to Cash Settlement in accordance with either Rule 1513 or Article 9 of the Applicable Credit Derivatives Definitions, depending on the reason for the fallback to Cash Settlement.

(c) If fallback to Cash Settlement applies only under a Customer-CM CDS Transaction between Clearing Member B and Customer B in a CDS Chain, then such fallback to Cash Settlement shall apply only to such Customer-CM CDS Transaction in such CDS Chain.

(d) Without prejudice to the provisions of the ICE Documentation in relation to CDS Contracts, as soon as reasonably practicable on becoming aware that fallback to Cash Settlement applies to any part of a CDS Chain (other than solely a Customer-CM CDS Transaction between Clearing Member B and Customer B): (i) Clearing Member A and Customer A; (ii) Clearing Member A, the Clearing House and Clearing Member B; and (iii) Clearing Member B and Customer B shall notify each other in accordance with the terms of the relevant CDS Contracts and, if applicable, Customer-CM CDS Transactions and/or any clearing arrangements describing in reasonable detail the facts giving rise to the fallback. Sections 2.1 and 2.3 shall apply to such notices.

(e) Where Section 2.5(a) or (b) applies, Clearing Member A shall determine the Cash Settlement Amount in accordance with the terms of the relevant CDS Contract pursuant to the Rules and section 9.8 (*Partial Cash Settlement Terms*) of the 2003 Credit Derivatives Definitions or section 9.6 of the 2014 Credit Derivatives

Definitions, as applicable: (i) as if: (A) Clearing Member A were the Calculation Agent in respect of such CDS Contract; and (B) the Valuation Date were the first, or in the case of a fallback to cash settlement pursuant to Rule 1512 or 1513, its corresponding counterpart in a Customer-CM CDS Transaction or the relationship between and FCM/BD CDS Clearing Member and its Customer, the second Business Day after the date of receipt or delivery by it of the notice referred to in Section 2.5(d)(ii); and (ii) subject to Section 2.5(h). No other party to a CDS Contract or Customer-CM CDS Transaction in the relevant CDS Chain shall determine any separate or different Cash Settlement Amount and the Cash Settlement Amount determined by Clearing Member A (provided that it is determined as set out above) shall apply to all CDS Contracts and Customer-CM CDS Transactions in the CDS Chain and to any related clearing arrangements. Sections 2.1 and 2.3 shall apply to any notices delivered or served in connection with the determination or notification of the Cash Settlement Amount.

(f) For the purposes of Section 2.5(e):

(i) section 9.8(k) of the 2003 Credit Derivatives Definitions is amended by inserting the following at the beginning thereof:

"For the purposes hereof, in addition to the requirements of Section 7.10 (*Full Quotation*), each firm Quotation shall:

(A) be for a transaction with the party seeking the Quotation (or its designee) (the "**Relevant Party**") in which the Relevant Party agrees to Deliver the Deliverable Obligations to the Dealer submitting the firm quotation (the "**Quoting Dealer**"), which transaction shall be governed by documentation that is consistent with market practice applicable to the sale and purchase of Deliverable Obligations on the Valuation Date (which may be determined by the Determining Body), including without limitation a representation that the Quoting Dealer has completed all "know your customer" or similar requirements under all Applicable Laws and internal compliance procedures relating to a transaction with the Relevant Party and on the Reference Entity;

(B) be capable of acceptance by the Relevant Party (for such purposes, each firm Quotation must, inter alia, be obtained from a Dealer with whom the Relevant Party in its sole, unfettered and absolute discretion determines that it is able in accordance with all its internal compliance and policy requirements to transact and to Deliver the Deliverable Obligations) and be open for acceptance to the relevant party for at least 30 minutes; and

(C) be obtained on the basis that if the Relevant Party agrees to Deliver the Deliverable Obligations to such Quoting Dealer on the terms set forth herein, such Quoting Dealer agrees to pay the settlement amount (calculated and payable for this purpose in accordance with the relevant market standard documentation and based on the price so quoted) that would be payable for such Deliverable Obligations to the Relevant Party.

provided that:

(D) if Rule 1512 applies: (I) on the same Business Day that the CDS Buyer (as if it were Calculation Agent) has attempted to obtain all Quotations that the Calculation Agent is required to attempt to obtain in accordance with section 9.8(k) of the 2003 Credit Derivatives Definitions, the CDS Buyer shall offer the Clearing House the opportunity to provide a Quotation as if the Clearing House were a Dealer in accordance with section 9.8(k) of the 2003 Credit Derivatives Definitions; and (II) if the Quotation provided by the Clearing House is higher than any Quotation obtained by the CDS Buyer (as if it were Calculation Agent) from the Dealers in accordance with section 9.8(k) of the 2003 Credit Derivatives Definitions (including, for the avoidance of doubt, any Weighted Average Quotation) such Quotation shall be deemed to be the Highest Quotation and the CDS Buyer (as if it were Calculation Agent) shall use such Quotation to determine the Final Price; and

(E) if Rule 1513(a)(ii) applies: (I) on the same Business Day that the Matched CDS Buyer (as if it were Calculation Agent) has attempted to obtain all Quotations that the Calculation Agent is required to attempt to obtain in accordance with section 9.8(k) of the 2003 Credit Derivatives Definitions, the Matched CDS Buyer shall offer the Clearing House the opportunity to provide a Quotation as if the Clearing House were a Dealer in accordance with section 9.8(k) (as amended) of the 2003 Credit Derivatives Definitions; and (II) if the Quotation provided by the Clearing House is higher than any Quotation obtained by the Matched CDS Buyer (as if it were Calculation Agent) from the Dealers in accordance with section 9.8(k) of the 2003 Credit Derivatives Definitions (including, for the avoidance of doubt, any Weighted Average Quotation) such Quotation shall be deemed to be the Highest Quotation and the Matched CDS Buyer (as if it were Calculation Agent) shall use such Quotation to determine the Final Price."; and

(ii) section 9.6(k) of the 2014 Credit Derivatives Definitions is amended by inserting the following at the beginning hereof:

"For the purposes hereof, in addition to the requirements of Section 7.10 (*Full Quotation*), each firm Quotation shall:

(A) be for a transaction with the party seeking the Quotation (or its designee) (the "**Relevant Party**") in which the Relevant Party agrees to Deliver the Deliverable Obligations to the Dealer submitting the firm quotation (the "**Quoting Dealer**"), which transaction shall be governed by documentation that is consistent with market practice applicable to the sale and purchase of Deliverable Obligations on the Valuation Date (which may be determined by the Determining Body), including without limitation a representation that the Quoting Dealer has completed all "know your customer" or similar requirements under all Applicable Laws and internal compliance procedures relating to a transaction with the Relevant Party and on the Reference Entity;

(B) be capable of acceptance by the Relevant Party (for such purposes, each firm Quotation must, inter alia, be obtained from a Dealer with whom the Relevant Party in its sole, unfettered and absolute discretion determines that it is able in accordance with all its internal compliance and policy requirements to transact and to Deliver the Deliverable Obligations) and be open for acceptance to the relevant party for at least 30 minutes; and

(C) be obtained on the basis that if the Relevant Party agrees to Deliver the Deliverable Obligations to such Quoting Dealer on the terms set forth herein, such Quoting Dealer agrees to pay the settlement amount (calculated and payable for this purpose in accordance with the relevant market standard documentation and based on the price so quoted) that would be payable for such Deliverable Obligations to the Relevant Party.

provided that:

(D) if Rule 1512 applies: (I) on the same Business Day that the CDS Buyer (as if it were Calculation Agent) has attempted to obtain all Quotations that the Calculation Agent is required to attempt to obtain in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions, the CDS Buyer shall offer the Clearing House the opportunity to provide a Quotation as if the Clearing House were a Dealer in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions; and (II) if the Quotation provided by the Clearing House is higher than any Quotation obtained by the CDS Buyer (as if it were Calculation Agent) from the Dealers in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions (including, for the avoidance of doubt, any Weighted Average Quotation) such Quotation shall be deemed to be the Highest Quotation and the CDS Buyer (as if it were Calculation Agent) shall use such Quotation to determine the Final Price; and

(E) if Rule 1513(a)(ii) applies: (I) on the same Business Day that the Matched CDS Buyer (as if it were Calculation Agent) has attempted to obtain all Quotations that the Calculation Agent is required to attempt to obtain in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions, the Matched CDS Buyer shall offer the Clearing House the opportunity to provide a Quotation as if the Clearing House were a Dealer in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions: and (II) if the Quotation provided by the Clearing House is higher than any Quotation obtained by the Matched CDS Buyer (as if it were Calculation Agent) from the Dealers in accordance with section 9.6(k) of the 2014 Credit Derivatives Definitions (including, for the avoidance of doubt, any Weighted Average Quotation) such Quotation shall be deemed to be the Highest Quotation and the Matched CDS Buyer (as if it were Calculation Agent) shall use such Quotation to determine the Final Price."

(g) As soon as practicable after determining the Cash Settlement Amount pursuant to Section 2.5(f), Clearing Member A shall deliver a notice pursuant to the relevant CDS Contract, notifying such Cash Settlement Amount. Sections 2.1 and 2.3 will apply to such notice.

(h) The Cash Settlement Date in respect of each of all CDS Contracts and any Customer-CM CDS Transactions in the relevant CDS Chain in respect of which Clearing Member A has determined the Cash Settlement Amount for the relevant CDS Contract shall be the third Business Day after the date of service of the notice by Clearing Member A pursuant to the relevant CDS Contract under Section 2.5(g).

2.6 Additional provisions relating to section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 Credit Derivatives Definitions and section 9.7 (*Buy-in of Bonds Not Delivered*) of the 2014 Credit Derivatives Definitions

(a) No Clearing Member or Customer may deliver (or, in the case of a Customer of an FCM/BD CDS Clearing Member, request or instruct the delivery of) a Buy-In Notice except for a Clearing Member that is acting as Clearing Member B (where there is no Customer B) or a Customer that is acting as Customer B in a CDS Chain. If a Buy-In Notice (or instruction or request to deliver a Buy-in Notice, as applicable), is effectively given in respect of a CDS Contract or a Customer-CM CDS Transaction by Clearing Member B or Customer B (the relevant party being the "**Electing Seller**"), the Electing Seller may exercise the rights of Seller pursuant to and subject to section 9.9 (*Buy-in of Bonds Not Delivered*) of the 2003 Credit Derivatives Definitions and section 9.7 (*Buy-in of Bonds Not Delivered*) of the 2014 Credit Derivatives Definitions, as applicable, under the CDS Contract or Customer-CM CDS Transaction, as applicable, but without prejudice to Sections 2.1 and 2.3.

(b) Where a Buy-In Price is determined by the Electing Seller, each other seller of protection in the CDS Chain shall be deemed to have effectively determined the same Buy-In Price for the transactions to which it is a party as seller of protection in the CDS Chain, provided that the Buy-In Price determined by the Electing Seller was determined in accordance with the terms of the relevant CDS Contract or Customer-CM CDS Transaction, as applicable.

2.7 Additional provisions applicable to section 9.10 (*Alternative Procedures Relating to Loans not Delivered*) of the 2003 Credit Derivatives Definitions and section 9.8 (*Alternative Procedures Relating to Loans not Delivered*) of the 2014 Credit Derivatives Definitions

(a) No Customer may deliver (or, in the case of a Customer of an FCM/BD CDS Clearing Member, request or instruct the delivery of) a notice under section 9.10(a) of the 2003 Credit Derivatives Definitions or section 9.8(i) of the 2014 Credit Derivatives Definitions.

(b) No Clearing Member or Customer may deliver (or, in the case of a Customer of an FCM/BD CDS Clearing Member, request or instruct the delivery of) a notice under section 9.10(b) of the 2003 Credit Derivatives Definitions or section 9.8(ii) of the 2014 Credit Derivatives Definitions (a "**9.10(b)/9.8(ii) Notice**") except for a Clearing Member that is acting as Clearing Member B. Sections 2.1 and 2.3 hereof shall apply to 9.10(b)/9.8(ii) Notices.

(c) If a CDS Contract is subject to settlement in accordance with section 9.10(b) of the 2003 Credit Derivatives Definitions or section 9.8(ii) of the 2014 Credit Derivatives Definitions then, where there is a Customer A in the relevant CDS Chain, the related Customer-CM CDS Transaction between Clearing Member A and Customer A or the rights between Clearing Member A and Customer A where Clearing Member A is an FCM/BD CDS Clearing Member shall be settled as if a fallback to Cash Settlement applied to such transaction or relationship, by reference to the Deliverable Obligations in respect of the CDS Contract.