Dated [●]

CME CLEARING EUROPE LIMITED

CLEARING PROCEDURES

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Introduction

These Procedures should be read in conjunction with the Rules. In the event of any conflict between the Rules and these Procedures, the Rules shall take precedence. Capitalised terms that are defined in the Rules shall have the same meaning in these Procedures unless otherwise specified.

Unless otherwise specified, each provision of these Procedures applies to each category of Transaction.
Membership Procedure

1 Introduction

The general requirements of clearing membership are set out in Chapter 3 of the Rules. This Membership Procedure provides further information about certain of those requirements. The Clearing House reserves the right, at its absolute discretion and on the basis of ensuring the risk integrity of clearing arrangements, to establish additional, different or higher requirements for particular applicants or Clearing Members. In some cases this may reflect different categories of clearing membership for different types of Transactions.

2 Application Process

2.1 To apply for membership of the Clearing House, each applicant must complete the application form and submit this along with the supporting documents set out in it to the Risk and Membership Department of the Clearing House. The application form may be obtained by contacting the Risk and Membership Department on 44 (0)20 3379 3100.

2.2 The Risk and Membership Department will review the completed application and request additional information from the applicant where necessary.

2.3 Upon receipt of the completed application, the Risk and Membership Department will submit the application for review and consideration by the Risk Committee, or in the case of an application for IRS Clearing Membership, the IRS Risk Committee. Following this review, the Risk Committee or the IRS Risk Committee, as the case may be, will make a recommendation to the Board of Directors regarding the application for membership. The Board of Directors will then decide whether to grant membership of the Clearing House to the applicant. It is anticipated that the Risk Committee or IRS Risk Committee review will take place within six (6) weeks of receipt of the completed application.

2.4 Applicants will be notified in writing of the determination of the Board of Directors.

3 General Requirements

These are set out in Clearing Rule 3.2.1. The remaining provisions of this Procedure set out further information about the Membership Criteria.

4 Asset classes which can be cleared by each Membership Category

4.1 The table below sets out which Membership Category a Clearing Member will need to belong to in order to clear Transactions relating to a specific asset class.
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5 **Capital Requirements**

5.1 Standard Clearing Members are required to maintain Tier 1 Capital of at least GBP 10 million.

5.2 The capital requirement for IRS Clearing Members is scalable depending on the risks posed by an IRS Clearing Member. IRS Clearing Members are required to maintain Tier 1 Capital which is at least the higher of:

   (a) EUR 350 million;

   (b) equal to 20% (twenty per cent.) of the aggregate Collateral requirement for all of its IRS Accounts; or

   (c) such other capital requirement recommended by the IRS Risk Committee and approved by the Clearing House.

5.3 In establishing that the minimum capital requirements are met and respected by banks and other Clearing Members authorised and supervised by a Regulatory Authority for financial services (such as the UK FCA or PRA), the Clearing House will only recognise capital calculated pursuant to the rules and regulations of the primary Regulatory Authority of the Clearing House. For banks and non-bank investment firms, capital is defined as Tier I capital computed according to the capital adequacy requirements using the standards as defined by the FCA or PRA. Clearing Members which are banks must also maintain a Total Risk-Based Capital Ratio (Tier I Capital plus Tier II Capital divided by Total Risk Weighted Assets) of at least 10%. The Clearing House may set additional Capital Requirements.

5.4 For Clearing Members not regulated by any Regulatory Authority for financial services, the Clearing House will recognise the equivalent of Tier 1 capital as described in paragraph 5.3 in assessing whether the minimum capital requirement is met. A Clearing Member which is in doubt about this definition should contact the Risk and Membership Department on 44 (0) 20 3379 3100.
5.5 On the basis of risk evaluation and at its sole discretion, the Clearing House may require an applicant to maintain capital above the minimum capital requirement and may also require a parental guarantee in support of the applicant.

5.6 Prior to the approval of a membership application, each applicant will be assessed against defined levels of creditworthiness, as set out in the Clearing House’s Credit Risk Policy. Applicants which do not meet the required level of creditworthiness will not be accepted as Clearing Members. Clearing Members will also be monitored on an ongoing basis according to the Credit Risk Policy to ensure that they continue to satisfy the relevant financial requirements and remain in good financial health.

6 Collateral Requirements

Clearing Members must at all times meet the Collateral requirements which are set out in Chapter 6 of the Rules and the Clearing and Settlement Procedure.

7 Contributions

7.1 Standard Clearing Members must deposit with the Clearing House a Contribution to the Standard Guarantee Fund. The amount of the Contribution is determined by the Clearing House and re-assessed on at least a quarterly basis. The amount required initially and each quarter is notified to the Standard Clearing Member. The minimum Contribution for a Standard Clearing Member is USD 0.5 million for clearing OTC commodity derivatives, USD 1.5 million for clearing exchange traded derivatives, and USD 2 million for clearing both OTC commodity derivatives and exchange traded derivatives.

7.2 IRS Clearing Members must deposit with the Clearing House the IRS contribution to the IRS Guarantee Fund. The amount of the Contribution to the IRS Guarantee Fund is determined by the Clearing House and re-assessed on at least a monthly basis. The minimum Contribution to the IRS Guarantee Fund is EUR 10 million.

7.3 Further details on the Guarantee Funds and Contributions to them are set out in Chapter 7 of the Rules and the Guarantee Funds Procedure.

8 Financial Reporting Requirements

8.1 Clearing Members authorised and supervised by a Regulatory Authority for financial services must submit any and all financial reports that are required to be filed with such Regulatory Authority to the Clearing House unless the Clearing House is able to obtain them directly from such Regulatory Authority. Such financial reports must be filed with the Clearing House within thirty (30) Business Days after such statements are provided to the Clearing Member’s primary Regulatory Authority.
8.2 Clearing Members not regulated by a Regulatory Authority for financial services must submit monthly unaudited financial reports in a form acceptable to the Clearing House. Such financial reports must be filed within fifteen (15) Business Days of each month-end.

8.3 The financial reports must:

(a) demonstrate compliance with the Clearing House's minimum capital requirements;

(b) demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;

(c) be presented in English; and

(d) be stated in the currency in which the Clearing Member is legally required to produce its audited financial reports.

8.4 If the information is not included in the financial reports, Clearing Members must also notify the Clearing House of any planned capital withdrawals and subordinated debt maturing within six (6) months of the date of such reports.

9 Financial Statement Filings

9.1 Clearing Members, authorised and supervised by a Regulatory Authority for financial services, are also required to submit audited financial statements as of the Clearing Member's financial year-end unless the Clearing House is able to obtain them directly from the Regulatory Authority. Such financial statements must be filed within five (5) Business Days of their submission to the Clearing Member's primary Regulatory Authority.

9.2 Clearing Members not regulated by a Regulatory Authority for financial services must also submit an audited financial statement as of the Clearing Member's financial year-end. These annual financial reports must be filed within sixty (60) Business Days of the Clearing Member's financial year-end.

9.3 Financial statements must:

(a) demonstrate compliance with the Clearing House's minimum capital requirements;

(b) demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;

(c) be presented in English; and

(d) be stated in the currency in which the Clearing Member is legally required to produce its audited financial reports.

9.4 The audited financial statements of Clearing Members must include at a minimum the following (or the equivalent in any jurisdiction to the extent applicable):
(a) external auditor's opinion letter;
(b) statement of financial condition;
(c) statement of income (loss);
(d) statement of cash flows;
(e) statement of changes in ownership equity; and
(f) appropriate footnote disclosures.

10 Disaster Recovery and Business Continuity

10.1 Each Clearing Member is required to have in place adequate disaster recovery and business continuity policies and procedures to enable it to satisfy its obligations under the Rules. It is for each Clearing Member to determine whether these are adequate but the Clearing House would expect, as a minimum, that a Clearing Member's arrangements:

(a) comply with any requirements or guidance of any applicable Regulatory Authority;
(b) are in line with any relevant industry standards or guidelines;
(c) enable the Clearing Member to satisfy its obligations to the Clearing House even in unforeseen circumstances; and
(d) are tested on a regular basis and improved as necessary on the basis of the test results.

10.2 Each Clearing Member will be required to participate in the Clearing House's testing of its own business continuity arrangements at least once each year. The Clearing House will provide at least four (4) months' notice of any such test, which will usually take place over a weekend.

10.3 Clearing Members are required to notify the Clearing Support Desk of the Clearing House on 44 (0)20 3379 3131 of relevant details in the event that the Clearing Member invokes its business continuity policies and procedures and is likely to require assistance from the Clearing House or if the event is likely to cause disruption to the Clearing Member's ability to satisfy its obligations to the Clearing House.

10.4 Where the Clearing House invokes its own business continuity arrangements, either partially or fully, it shall notify Clearing Members of such via its Website and/or Notice.

(a) The Clearing House operates a number of business continuity arrangements, including system failovers and site recovery. Depending upon the nature of a recovery event the Clearing House may:
(i) extend timings or deadlines as set out in the Rules or these Procedures;

(ii) amend or temporarily suspend margin procedures, including invoking ad hoc margin calls; and/or

(iii) amend the timing for acceptance and novation of Transactions.

(b) The Clearing House shall keep Clearing Members informed of any such events via its Website and/or Notice.

11 IRS Membership Requirements

11.1 IRS Clearing Members must provide the Clearing House with evidence that their firm and its staff have appropriate experience in the IRS market.

11.2 IRS Clearing Members must have the ability and expertise to:

(a) evaluate actual and theoretical market events on portfolio returns on an ex-post or ex-ante basis;

(b) mark Contracts to market on at least a daily basis;

(c) calculate concentration risk and impact on Collateral requirements at the levels of both the IRS Clearing Member and each of its Accounts;

(d) conduct independent daily stress tests based on position and regional concentrations for equities, interest rates, commodities, and foreign exchange asset classes;

(e) conduct independent daily stress tests for IRS Contracts based on the net exposures at Contract, Client and Account levels, assess their risk management protections in the light of the tests, and transmit the results to the Clearing House on request and be able to stress test components of portfolio risk;

(f) undertake risk factor modelling - using historical data to model future behaviour of risk factors including correlation, volatility, and optionality;

(g) netting - capacity to run netting rules to calculate overall exposure;

(h) aggregate - roll up data from the position level to the top of the firm;

(i) monitor IRS trading and profit and loss swings;

(j) directly access markets in order to liquidate positions held;

(k) be able to force liquidation of all or parts of clearing-level portfolios, on immediate notice;
(l) construct a bid for a default management auction;

(m) assist with hedging the portfolio of IRS Contracts of a Defaulting IRS Clearing Member and demonstrate ability to execute with multiple participants in the OTC market;

(n) take in a broad portfolio of IRS Contracts and price it in conjunction with the Defaulting IRS Clearing Member auction process;

(o) be able to commit qualified resources for simulated default management exercises that will be run periodically at the Clearing House.

11.3 An IRS Clearing Member may delegate some or all of the performance of the following obligations in relation to default management in accordance with Rule 3.2.3 to another IRS Clearing Member which is its Affiliated Clearing Member, provided that the IRS Clearing Member which performs the obligations in relation to default management maintains House Accounts with the Clearing House:

(a) participate in the IRS Default Management Committee (where applicable);

(b) participate in any default management drills run by the Clearing House;

(c) provide the individual(s) who will act on the Active Default Committee on behalf of the Clearing Member (where applicable);

(d) participate in the hedging process in accordance with the IRS Default Management Procedure (where applicable);

(e) bid in an auction for any currencies in which the Clearing Member has a portfolio, in accordance with the IRS Default Management Procedure (where applicable).

11.4 Any IRS Clearing Member which delegates the performance of the obligations set out in paragraph 11.3 of this Membership Procedure, must submit to the Clearing House:

(a) details of the IRS Clearing Member to which it proposes to make such delegation in accordance with paragraph 11.3 of this Membership Procedure, including evidence of their ability to provide the relevant services on behalf of both itself and the IRS Clearing Member making the delegation;

(b) a final draft of the agreements to be entered into between the IRS Clearing Members in relation to the delegation pursuant to paragraph 11.3 of this Membership Procedure; and

(c) any other information about the arrangements the Clearing House may reasonably require.
11.5 The Clearing House, in consultation with the IRS Risk Committee, shall consider the information provided to it pursuant to paragraph 11.4 and will not normally approve the arrangements unless:

(a) the scope of the default management obligations to be performed by the IRS Clearing Member to which they have been delegated is clearly set out in the agreement; and

(b) it appears to the Clearing House that both the IRS Clearing Members separately remain bound to comply with all default management obligations under the Rules; and

(c) the IRS Clearing Member which is going to perform the default management obligations is able to do so in addition to fulfilling its own default management obligations under the Rules.

11.6 The IRS Clearing Member which is delegating the performance of its default management obligations in accordance with paragraph 11.3 of this Membership Procedure shall remain fully responsible and liable for any action taken by the other IRS Clearing Member on its behalf.

11.7 The IRS Clearing Member which is delegating the performance of its default management obligations in accordance with paragraph 11.3 of this Membership Procedure shall notify the Clearing House if any of the conditions on which the Clearing House approved a delegation cease to be satisfied. The Clearing House may, at any time, require both the IRS Clearing Members to terminate the delegation arrangement, in which case, each IRS Clearing Member shall be obliged to perform the relevant obligations itself with immediate effect.

12 Notifications

12.1 A notice or communication given under or in connection with the Rules or any Agreement with the Clearing House shall, unless otherwise specified, be in writing in English and sent by any of the methods set out below to the address specified below. A notice or communication shall be deemed to be given on the date set out below.

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<th>(1) Permitted method</th>
<th>(2) Date on which Notice deemed given</th>
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<td>When left at the relevant Address</td>
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<tr>
<td>Recorded or special delivery, or the nearest local equivalent in the jurisdiction of the sender</td>
<td>Two (2) Business Days after posting</td>
</tr>
<tr>
<td>Recorded or special delivery airmail, or the nearest local equivalent in the jurisdiction of sender</td>
<td>Six (6) Business Days after posting</td>
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the sender

12.2 Notices or communications to the Clearing House should be marked for the attention of the Chief Executive Officer, and sent to the address below.

CME Clearing Europe Limited
Fourth Floor,
One New Change,
London
EC4M 9AF
Risk Management Procedure

1 Introduction

The Clearing House manages its counterparty and market risk by margining Clearing Members Contracts on a daily and intra-day basis according to the procedures described in this Risk Management Procedure. Risk is further mitigated through the collection and payment of profits and losses as determined through the variation settlement process described in this Risk Management Procedure.

2 Positions and Collateral

Positions recording

2.1 Each Clearing Member may request as many Client Accounts as it wishes and ask the Clearing House to designate each Client Account as it specifies.

2.2 The Clearing House records the positions in each:

   (a) Omnibus Client Account on a gross basis save to the extent the Clearing Member requires the Clearing House to net particular Contracts in accordance with paragraph 2.3; and

   (b) House Account and Individual Client Account on a net basis.

2.3 The Clearing Member may require the Clearing House to net positions within an Omnibus Client Account each Business Day provided that the Clearing Member must not require the Clearing House to net positions relating to different Clients.

2.4 Recording positions on a net basis means that long and short positions are automatically set off against one another.

2.5 Notwithstanding paragraph 2.2(b), the Clearing Member may request the Clearing House not to net positions in an Individual Client Account. In this case, the Clearing House will still calculate the Margin Requirement and Variation Requirement for the Individual Client Account on a net basis in accordance with paragraph 2.6(b).

Collateral recording

2.6 Margin Requirement and Variation Requirement are calculated separately for each Account as follows:

   (a) for each Omnibus Client Account on a gross basis taking into account any Contracts that have been netted in accordance with paragraph 2.3;
for each Individual Client Account on a net basis; and

for the House Account on a net basis.

2.7 In relation to the Net Settlement Amount, the Clearing House will call at least two amounts from each Clearing Member representing daily Net Settlement Amounts. These relate to:

(a) the House Account; and

(b) all the Clearing Member’s Omnibus Client Accounts and Individual Client Accounts.

2.8 The Clearing House calculates the Variation Requirement for Contracts at least twice daily: intra-day and end-of-day. The Variation Requirement consists of a periodic mark-to-market or revaluation of Contracts and the determination of any final settlement amounts. The Variation Requirement also takes account of other amounts payable under the Contracts relating to an Account such as premiums. Under volatile market conditions, the Clearing House will conduct additional Variation Requirement calculations. For further information on the settlement cycles resulting from intra-day and end-of-day calculations, see paragraph 4 of the Clearing and Settlement Procedure.

2.9 To calculate the intra-day Variation Requirement, the Clearing House uses current market prices and applies them to the position data submitted by Clearing Members prior to the relevant time set out on the Website on that Business Day. For the end-of-day Variation Requirement, the Clearing House uses Final Settlement Prices and applies them to the position data submitted by Clearing Members prior to the relevant time set out on the Website.

2.10 The Clearing House uses the Margin Requirement and the Variation Requirement to calculate the Net Settlement Amount for the settlement cycle. The Net Settlement Amount for each Clearing Member is reported to the Clearing Member at the end of each settlement cycle. The Clearing House reserves absolute discretion as to how it calculates the Net Settlement Amount.

Omnibus Client Accounts

2.11 There are two types of Omnibus Client Accounts.

2.12 The first type of Omnibus Client Account can only be used for Standard Contracts. In this type of Standard Omnibus Client Account, the Clearing House does not identify in its books and records in respect of which Client in the Standard Omnibus Client Account each Standard Contract is entered into or the value of the Collateral that has been transferred to the Clearing House in respect of that Client’s Standard Contracts. In such an Account, there will be no Notional Sub-Accounts save to the extent that, in the event the Clearing House issues a Declaration of Default in respect of the Clearing Member, the Clearing Member can obtain the Defaulting Clearing Member’s records and reconcile them with its Accounts in such a way that it
is satisfied that it can identify which Contracts have been entered into in respect of which Clients within a sufficiently short period of time. To the extent that this is the case, a Notional Sub-Account will be deemed to exist in respect of any Contracts that the Clearing House can satisfactorily identify as relating to a Client and the related value of Collateral. Otherwise, all other Contracts that are not identifiable as relating to a particular Client and a related value of Collateral will be deemed to form a separate Notional Sub-Account. The Notional Sub-Accounts are important for the Clearing House’s calculations under the Default Rules. It is likely to be significantly more difficult for the Clearing House to take the actions set out in Rule 8.4 and “port” any Contracts that are not identifiable as relating to a particular Client or Rule 8.5.10(a) and return to a Client a Single Net Sum relating to any Contracts that are not identifiable as relating to that Client. The most likely option in respect of Contracts that are not identifiable as relating to a particular Client is that the Single Net Sum relating to such Contracts would be returned to the Defaulting Clearing Member in accordance with Rule 8.5.10(b).

2.13 The second type of Omnibus Client Account can be used for Contracts of any type and must be used for IRS Contracts. In this type of Omnibus Client Account, the Clearing House does identify in its books and records to which Client each Contract is entered into in respect of that Omnibus Client Account and it can identify the value of the Collateral that has been transferred to the Clearing House in respect of that Client’s Contracts. In such an Account, a Notional Sub-Account will be deemed to exist in respect of each Client’s Contracts and the value of the Collateral the Clearing House identifies as relating to each Client’s Contracts. The Notional Sub-Accounts are important for the Clearing House’s calculations in the event it issues a Declaration of Default against a Clearing Member and it should be simpler for the Clearing House to take the actions set out in Rule 8.4 and “port” Contracts recorded in this type of Omnibus Client Account or Rule 8.5.10(a) and return to a Client a Single Net Sum relating to the Contracts entered into on its behalf.

**Omnibus Client Accounts for Clearing Members who offer client money protection to Clients**

2.14 If a Clearing Member treats cash that it receives from a Client as client money (in accordance with the FCA Client Assets Handbook) and Contracts and Collateral relating to any such Clients are recorded in an Omnibus Client Account, the Clearing Member must ensure that such Omnibus Client Account only relates to Clients whose cash it holds as client money.

2.15 If that Clearing Member also has Clients for which it does not hold cash as client money and the Clearing Member wishes to use an Omnibus Client Account in relation to such Clients, Contracts and Collateral relating to those Clients without client money protection must be recorded in a separate Omnibus Client Account to the Account used for Clients whose cash it holds as client money.

**Clearing for Affiliates**
2.16 A Clearing Member may request additional House Accounts to record the positions and Collateral relating to the proprietary business of its Affiliates. Any Affiliates whose positions and Collateral are recorded in such House Account will not be Clients of the Clearing Member. Upon a declaration of default in relation to the Clearing Member, or if any action is taken pursuant to Rule 2.5, all House Accounts of the Clearing Member will be merged, with all IRS House Accounts forming one IRS House Account and all Standard House Accounts forming one Standard House Account.

IRS netting process

2.17 Contracts (or positions) recorded on IRS Individual Client Accounts and IRS Notional Sub-Accounts may be netted in any of the following ways:

(i) Gross - if this option is selected the Contracts in the relevant Account will not be netted;

(ii) Net - if this option is selected the Contracts in the relevant Account will be netted based on the criteria set out below; or

(iii) Elective Net - if this option is selected the Contracts in the relevant Account will be netted based on the criteria set out below and matching Client reference ID.

IRS Clearing Members must designate the basis on which the Contracts (or positions) are recorded on each of its IRS Individual Client Accounts and IRS Notional Sub-Accounts. IRS Clearing Members may change the designation for any of their Accounts at any time.

The netting process will consider IRS Contracts that have exactly the same economics, although the IRS Contracts may differ in direction and notional amount. For two or more IRS Contracts to be eligible for netting, they must, in addition to being in the same Account that is setup as a netting eligible Account, match in the following criteria:

(a) type of IRS Contract - this is represented by the template identifier USD3L, etc.

(b) effective date - the Clearing House will consider the unadjusted effective date when matching for netting criteria.

(c) maturity date - the Clearing House will consider the unadjusted maturity date when matching for netting criteria.

(d) fixed coupon - the fixed coupon on the IRS Contracts must be the same.

IRS Contracts with stub periods will net provided the start and end date are the same for the stub period for all IRS Contracts eligible for netting. This is in addition to the netting criteria described above.
Partial netting occurs when IRS Contracts in an Account do not fully offset each other and there
is remaining notional. In this case all of the IRS Contracts are terminated. A message is sent for
a new IRS Contract containing a reference to all of the IRS Contracts that were terminated in
the netting process. The new IRS Contract will retain the ID of the oldest IRS Contract in the
same direction as that of the remaining notional.

3 IRS Variation Requirement payment flows

3.1 The Clearing House will notify IRS Clearing Members of the closing value of their IRS Contracts
on each IRS Account at the end of each Business Day with reference to the NPV or adjusted
NPV as defined in the IRS Manual of Operations.

3.2 The Variation Requirement is the difference between the closing values notified to the IRS
Clearing Member between consecutive Banking Days.

3.3 On the Business Day prior to the coupon payment date the Variation Requirement will be
calculated based on the adjusted NPV. This ensures that the coupon payment and Variation
Requirement will net against each other when the cash flows are settled on the coupon
payment date.

3.4 On coupon payment value dates the NPV will not take into account coupons that are paid or
collected.

4 Margin Model and Parameters

4.1 Notwithstanding the below, at its sole discretion and in accordance with its margining policies,
the Clearing House may increase the Margin Requirements for a particular portfolio on the basis
of additional risk analysis, for example on the basis of liquidity or concentration concerns.

Standard margin model

4.2 The model used to calculate margin requirements for Standard Contracts is CME SPAN. The
model simulates the effects of changing market conditions and uses tailored options pricing
models to determine a portfolio’s overall risk. CME SPAN constructs scenarios of price and
volatility changes to estimate the potential loss arising if an entire portfolio must be closed out
over a one or more day time horizon. The resulting margin requirement is designed to cover this
potential loss at the required confidence level. Additionally, options purchased must be paid in
full and therefore the value is added to the account equity. Conversely, the value of options sold
is added to the overall margin requirement for the account.

4.3 A number of parameters are specified for each Contract in order for SPAN to simulate portfolio
losses. These include:
(a) price scan ranges: in effect, the maximum price movement reasonably likely to occur in each instrument or, for options, in the underlying instrument;

(b) volatility scan ranges: the maximum change reasonably likely to occur in the implied volatility of the price of each option’s underlying instrument;

(c) intra-commodity spreading rates: for evaluating risk among portfolios of closely related contracts within the same product group, such as products with particular patterns of calendar spreads;

(d) inter-commodity spreading rates; for evaluating risk offsets between related products; and

(e) short option minimum rates: to provide coverage for the special situations associated with portfolios of deep out of the money short option positions.

4.4 Parameters used in the calculation of the Margin Requirement are defined by the Clearing House. Parameters are reviewed and updated at least monthly, though ad hoc changes to parameters can be made at the sole discretion of the Clearing House at any time. Margin parameters and changes to margin parameters are published on the Website.

**IRS margin model**

4.5 The model used to calculate Margin Requirement for IRS Contracts in a HVaR model. This model uses exponentially weighted moving average volatility rescaling to determine the margins for a given IRS portfolio, scaling the historical returns based on current forecasted volatility to a measure of volatility realised at the point in time the shock was sampled.

5 **Pricing and Valuation**

5.1 Prices used in valuing Contracts are available to Clearing Members and certain Clients via the Clearing System and the price file available through the following FTP site: ftp.cmeclearingeurope.com.

5.2 The Clearing House makes available to its Clearing Members a tool for simulating Margin Requirement calculations known as PC SPAN for Standard Contracts and CME Core for IRS Contracts. Clearing Members can request the simulation tool by contacting the Clearing Support Desk of the Clearing House on 44 (0)20 3379 3131.
Clearing and Settlement Procedure

1 Submission of Transactions

1.1 Standard Transactions may be submitted to the Clearing House through any of the following routes:

(a) the ClearPort GUI and API;

(b) other broker or trade-negotiation platforms; or

(c) directly from Clearing Members to Front End Clearing.

1.2 IRS Transactions may be submitted to the Clearing House through any of the following routes:

(a) the ClearPort API;

(b) any third party vendor approved by the Clearing House from time to time (including MarkitSERV, Bloomberg VCON and TradeWeb);

(c) portfolio migration via Excel; or

(d) from all standard sources including each of Bloomberg VCON, MarkitSERV, TradeWeb and directly from swap execution platforms via API.

1.3 Exchange Transactions, apart from EFRP Transactions and Block Transactions, are automatically novated to the Clearing House upon such Exchange Transactions being matched on the Exchange in accordance with the Exchange Rules.

1.4 EFRP Transactions and Block Transactions may be submitted to the Clearing House through the ClearPort GUI and API.

1.5 In order to use certain submission routes, the Clearing Member and, in some cases, its Clients and Designated Users (as defined in the User Licence Agreement) may be subject to additional terms and conditions.

1.6 Regardless of Transaction submission route, only Clearing Members which have entered into the User License Agreement authorising the Clearing Member and/or Client to submit Transactions to the Clearing House on its and/or its Designated Users’ behalf are eligible to submit Transactions.

1.7 Clearing Members must confirm with the Clearing House each Designated User which has completed the registration form available on the Website.
2 Clearing System Modules and Infrastructure

The Clearing House utilises a Clearing System comprised of five (5) basic categories of applications:

2.1 Transaction and Position Management Systems:

(a) Front-End Clearing: a multi-faceted trade processing module integrated with multiple Transaction matching and affirmation platforms and linked via a real time messaging infrastructure to all Clearing Member back office systems.

(b) The Position Management System: a central application that performs real time valuation and multilateral netting of all Contracts as well as generating the core clearing settlement cycle trade register data files and reports.

(c) Margin Calculation Systems: the Clearing House uses different margin models depending upon the Contract. For Standard Contracts the Clearing House uses the SPAN Model described in the Risk Management Procedure. For IRS Contracts the Clearing House uses a HVaR model described in the Risk Management Procedure.

(d) Settlement, Banking and Asset Management Systems: the application where all Clearing Member account structures are managed and linked to a Clearing Member’s Settlement Bank Account for the purposes of the Net Settlement Amount cash flows.

(e) Referential Data Modules: these modules include the Clearing House Product, Calendar, Account Registration and Security Administration systems.

2.2 Transaction and Position Management

(a) Upon acceptance for clearing by the Clearing House pursuant to Rule 5.2, a Transaction becomes a Contract. The details of a particular Contract are set out within the following:

(i) the trade confirmation messages to the Clearing Member as generated by the Clearing System;

(ii) the Contract Module which contains the terms of the Transaction except Transaction-specific data: date, price, initial amount, side-of-market (reflected on the trade confirmation message); and

(iii) general terms set out in the Rules.

2.3 Transactions, Contracts, and Positions
(a) Once novated, Transactions give rise to positions in a specific Contract. A position in a Contract is opened by clearing a Transaction entered into as Buyer or Seller and closed by clearing a Transaction in the opposite capacity. With the Clearing House as a central counterparty to each Contract, multilateral position netting is possible. Thus, it does not matter whether the opposite Transaction is entered into with the same counterparty or a different one.

(b) The Contract is made unique within a product family via:

(i) The Product Reference File

This file is published in the late afternoon of each Business Day, and provides complete specifications for all Contracts eligible for clearing the following Business Day.

(ii) The Clearing Product Code

The clearing product code identifies the details of a Contract. This is an alphanumeric value.

(c) The clearing product code is provided in both the product reference file and on each clearing trade confirmation in the ID attribute of the Instrument block.

2.4 Positions

(a) The Position Management module complements the real-time Transaction processing capabilities of Front End Clearing, by providing near real-time tracking on position quantities and money amounts such as Margin Requirement and Variation Requirement of Contracts.

(b) As Transactions clear, and as allocation processing is performed, messages are sent from Front End Clearing to Position Management, which performs the following processing in real time:

(i) updates the Contract position quantities held by Clearing Members; and

(ii) for each such position, performs real-time calculations of the Net Settlement Amount.

(c) Margin calculation shall be calculated in accordance with the Risk Management Procedure.

2.5 Settlement, Banking and Asset Management Systems
(a) The Margin Requirement and the Variation Requirement are major components of the risk management protections of the Clearing House. Collateral is transferred to the Clearing House in respect of Contracts reflected in the Clearing Members’ Accounts. Net Settlement Amounts due and owing to the Clearing House are payable by the Clearing Member through its Settlement Bank in Eligible Cash and may be subsequently substituted with an equal or greater amount of Eligible Securities. Net Settlement Amounts due and owing to the Clearing Member are payable by the Clearing House through the relevant Clearing Member’s Settlement Bank.

(b) The Clearing House calculates the Collateral requirements for Accounts as set out in the Risk Management Procedure. Clearing Members are responsible for meeting Net Settlement Amounts payable to the Clearing House in respect of the Accounts. It is the responsibility of the Clearing Member to collect collateral from Clients, which must be of an amount not less than the amount of Collateral which the Clearing Member is obliged to provide to the Clearing House in respect of the Client’s Transactions and may not necessarily take the same form as such Collateral or to advance credit in respect of the Client of not less than such amount.

3 Notifications in relation to IRS Transactions

3.1 The Clearing House will provide real time notifications to IRS Clearing Members during the straight through processing of IRS Contracts. The details of the notifications that may be provided to IRS Clearing Members are set out in the IRS Manual of Operations.

4 IRS credit limit management

4.1 In addition to the credit checks which must be satisfied under Rules 5.1 and 5.2, IRS Clearing Members may also set credit limits in respect of IRS Transactions on each of their IRS Accounts. If an IRS Clearing Member sets such credit limit on an IRS Account, a Transaction submitted must, in addition to Rules 5.1 and 5.2, satisfy such credit limit before it is accepted or novated by the Clearing House.

4.2 Such IRS Clearing Member set credit limits may be changed in real-time. Only certain persons at the IRS Clearing Member may change the settings. The IRS Clearing Member must inform the Clearing House of who should have such Admin login privileges in relation to the credit limits.

4.3 IRS Clearing Members may also specify persons who should have User login privileges in relation to credit limits. Persons with User login privileges will be able to view IRS Clearing Member set credit limits but will not be able to change such credit limits.

4.4 IRS Clearing Member set credit limits can be set as:
(a) a cap on the gross amount in an IRS Account which does not consider directional or the notional amount in an IRS Account;

(b) a cap on NPV in either a positive or negative direction; or

(c) a cap on the direction amount.

Calculations for any credit limits that are sensitive to market conditions will be based on the most recent curve in the system.

4.5 IRS Clearing Member set credit limits may be set at zero. If any IRS Clearing Member credit limits are set at zero, the Clearing House will, pursuant to Rule 5.1, decline to accept any Transaction in relation to the relevant Account. The IRS Clearing Member may then use the process set out in paragraph 4.7 below.

4.6 IRS Clearing Member set credit limits will be daily limits. For the purposes of the IRS Clearing Member set credit limits each account value will be reset at zero at the start of each Business Day.

4.7 Where the Clearing House declines to accept a Transaction due to the Transaction being in excess of the IRS Clearing Member set credit limit, the IRS Clearing Member who is responsible for the relevant failed submission will be notified of the failure via the CME Clearing API and Front End Clearing (FEC) Deal Management System (DMS) browser based interface. Following the receipt of such notification, the relevant IRS Clearing Member may then grant consent for the failed Transaction to be re-submitted to the Clearing House, such consent will override the IRS Clearing Member set credit limit only in relation to the submission and novation of that Transaction. The Transaction will at all times remain subject to any credit checks imposed by the Clearing House and Chapter 5 of the Rules.

4.8 The IRS Manual of Operations provides details on how to use the credit limit functionality of the Front End Clearing (FEC) Deal Management System (DMS) in relation to IRS Transactions.

4.9 The Clearing House will establish hard limits for each IRS Account. Hard limits are subject to change at any time at the discretion of the Clearing House. IRS Clearing Members will be notified as soon as practicable of any change to the hard limit on any of their IRS Accounts. Any submitted IRS Transaction that is in excess of the hard limit for the relevant Account will be rejected for clearing by the Clearing House. Rejected IRS Transactions remain bi-lateral, non-cleared transactions in accordance with the appropriate legal documentation for bi-lateral over-the-counter transactions.
Submission of IRS Transactions through an affirmation platform

5.1 IRS Transaction submission - acceptance of IRS Transactions

IRS Transactions submitted to the Clearing House will, subject to Rules 5.1 and 5.2, be accepted and novated by the Clearing House provided that they are within any credit limits set by the relevant IRS Clearing Member. Where an affirmation platform is used to submit the IRS Transaction, the Clearing House will send a notification that the IRS Transaction has been accepted and novated to the relevant affirmation platform. The Clearing House will also send a confirmation that the IRS Transaction has been accepted and novated to the relevant IRS Clearing Member.

5.2 IRS Transaction submission - rejections under Rules 5.1 and 5.2

If, pursuant to Rules 5.1 or 5.2, the Clearing House declines an IRS Transaction, received from an affirmation platform, the Clearing House will send a rejection message to the relevant affirmation platform. The rejection notice will indicate the reason for the rejection.

5.3 IRS Transaction submission - one side IRS Clearing Member credit limit failure

If one side of the IRS Transaction, which represents one half of an underlying bilateral swap, is declined by the Clearing House on the basis that it exceeds any IRS Clearing Member set credit limits for IRS Transactions for the relevant Account, the Clearing House will send a message to the affirmation platform stating that acceptance, of both sides of the IRS Transaction, by the Clearing House is subject to confirmation by the relevant IRS Clearing Member. Upon the Clearing House issuing such notice either side of the IRS Transaction may be withdrawn. If the relevant IRS Clearing Member confirms, in accordance with paragraph 4.7 above, that the IRS Clearing Member set credit limit can be waived and neither side of the IRS Transaction has been withdrawn, the Clearing House will, subject to Rules 5.1 and 5.2, accept and novate both sides of the IRS Transaction.

5.4 IRS Transaction submission - both sides IRS Clearing Member credit limit failure

If both sides of the IRS Transaction in relation to the underlying bilateral swap are declined by the Clearing House on the basis that they both exceed any IRS Clearing Member set credit limits for IRS Transactions for the relevant Accounts, the Clearing House will send a message to the affirmation platform stating that acceptance of both sides of the IRS Transaction by the Clearing House are subject to confirmation by the relevant IRS Clearing Members. Upon the Clearing House issuing such notice either IRS Transaction may be withdrawn. Provided the IRS Clearing Members confirm, in accordance with paragraph 4.8 above, that the IRS Clearing Member set credit limits can be waived and neither side of the IRS Transaction has been withdrawn, the Clearing House will, subject to Rules 5.1 and 5.2, accept and novate both sides
of the IRS Transaction. If the IRS Clearing Members do not issue such confirmations both sides of the IRS Transaction will be rejected by the Clearing House.

5.5 **IRS Transaction submission - pre-clearing allocations; all allocations cleared**

Where there is a group of IRS Transactions, subject to agreement by both underlying counterparties, the group of IRS Transactions may be allocated to different IRS Clearing Members for submission as separate sides of an IRS Transaction to the Clearing House. Where each such side of an IRS Transaction is accepted and novated by the Clearing House in accordance with Rules 5.1 and 5.2, paragraph 5.1 above will apply.

5.6 **IRS Transaction submission - Pre-clearing allocations; one allocation rejected**

Where there is a group of IRS Transactions, subject to agreement by both underlying counterparties, the group of IRS Transactions may be allocated to different IRS Clearing Members for submission as separate sides of an IRS Transaction to the Clearing House. If one of those sides of the IRS Transaction is rejected by the Clearing House, the Clearing House will send a message to the affirmation platform stating that acceptance of that side of the IRS Transaction by the Clearing House is subject to confirmation by the relevant IRS Clearing Member. The Clearing House will also disclose in the notice which group of IRS Transactions the rejection relates to. The IRS Clearing Member for the rejected side of the IRS Transaction may then withdraw or, if the side of the IRS Transaction is confirmed by the relevant IRS Clearing Member, subject to Rules 5.1 and 5.2, it may be accepted and novated by the Clearing House.

6 **IRS portfolio migration via Excel**

6.1 Portfolios of IRS Transactions may be submitted to the Clearing House for direct upload into the position management system from either a third party platform or directly from an IRS Clearing Member.

6.2 An Excel file with a number of IRS Transactions will be treated as one IRS Transaction.

6.3 If a portfolio of IRS Transactions is submitted to the Clearing House via an Excel file the IRS Clearing Member is deemed to consent to the Clearing House accepting any such IRS Transactions that may exceed any relevant IRS Clearing Member set credit limits.

7 **Identification of IRS Transactions**

7.1 Each IRS Transaction is identified with an IRS Clearing Member number, a block ID, a Client Account ID, and the origin, identifying whether it is a Transaction relating to the IRS Clearing Member’s House or Client Account.
8 IRS Contract quantities and side-of-market

8.1 The Clearing House adheres to the industry standard convention that the Contract quantity is the notional amount of the Contract. These will typically be round numbers, but the Clearing House will accept any Contract quantity to any integer notional amount. Each IRS Transaction contains information identifying the side of the Transaction, the IRS Clearing Member, the customer account number and the origin.

8.2 The side-of-market is assigned using the industry standard convention: pay fixed is expressed as a negative notional amount and to receive fixed is expressed as a positive notional amount.

9 IRS coupon payments

9.1 IRS Contracts have two streams of coupon payments:

(i) fixed coupon payments; and

(ii) floating coupon payments.

9.2 The following parameters are used to determine the coupon payments due under IRS Contracts:

(a) accrual period - these are derived from the payment dates for the type of coupon;

(b) day count convention - this is specified in the Contract Specification for each type of Contract;

(c) effective rate - this is the fixed or the floating rate based on the type of coupon payment; and

(d) notional - this is the notional amount specified in the Contract.

9.3 The coupon payment dates are calculated when an IRS Contract is cleared and are notified to the relevant IRS Clearing Member in the confirmation message. The dates are adjusted based on holidays following the ISDA 2006 conventions specified on the relevant Contract Specification.

10 IRS settlement curve

10.1 The Clearing House incorporates an overnight index swap (OIS) methodology for the IRS valuation of settlement prices. For the OIS methodology discounting is calibrated to the IRS structure of the prevailing IRS Clearing Members’ funding/investment instruments.
10.2 USD, EUR and GBP instruments use multi-curve processes which require LIBOR, OIS and Basis Swaps inputs. AUD, CAD, CHF and JPY instruments use a single-curve process which only require LIBOR inputs.

11 Eligible Collateral and Valuation

11.1 The Clearing House accepts a range of currencies (Eligible Cash), securities (Eligible Securities) and Gold as Collateral. Clearing Members can use Eligible Cash and Eligible Securities to meet their Guarantee Fund Contributions and Eligible Cash to meet Assessments.

11.2 Eligible Assets are set out on the Website. In the event that a particular Eligible Asset ceases to be an Eligible Asset or it remains an Eligible Asset but its value decreases, the Clearing Member shall provide additional Eligible Assets to cover for any shortfall caused by the removal of such Eligible Asset from being an Eligible Asset or the devaluation of such Eligible Asset.

11.3 The Clearing House values each type of Eligible Assets at a discount. The percentage discount for each type of Eligible Asset, known as a haircut, is set out on the Website.

11.4 The Clearing House determines the market value of Collateral in the following ways:

(a) Eligible Cash: face value though appropriate haircuts are applied to cash when it is utilised to meet the Margin Requirement established in other currencies; and

(b) Eligible Securities and Eligible Precious Metals: the Clearing House revalues Eligible Securities and Eligible Precious Metals on a daily basis with prices provided by third party price sources.

11.5 The Clearing House reports the value of Eligible Assets to the Clearing Member daily.

11.6 A Clearing Member may request that additional Eligible Assets be accepted. Such requests will be analysed by the Risk and Membership Team and a recommendation to accept or reject the new type of collateral will be presented to the Risk Committee for review and endorsement.

12 Settlement Banks and Timings

12.1 Each Clearing Member must identify its Settlement Bank or Settlement Banks in writing to the Clearing House, along with the numbers of the Bank Accounts to be used for settlement. Written notification in advance is required whenever a Clearing Member changes its Settlement Bank or Bank Account number. The Clearing House has relationships with the Settlement Banks set out on the Website.

12.2 Clearing Members must execute the appropriate documentation with each Settlement Bank to allow the Settlement Bank to debit or credit the Clearing Member’s Bank Accounts on instruction from the Clearing House to meet the amounts set out in Rule 4.2.2 and to allow the
Settlement Bank to share certain information with the Clearing House. This will be provided by the Settlement Bank but the Clearing Member will provide the Clearing House with a copy of the executed document and any amendments to it as set out in Rule 4.2.2.

12.3 The Clearing House operates two (2) settlement cycles each day and may require the Clearing Member to transfer Collateral to it or make payment to the Clearing Member at the end of each settlement cycle in satisfaction of a Net Settlement Amount. However, for certain Contracts, the Clearing House may, in practice, only require the Clearing Member to transfer Collateral or make payment to the Clearing Member at the end of one settlement cycle each day. The normal deadlines for the transfer to the Clearing House of Eligible Cash in respect of Contracts for clearing are set out on the Website.

12.4 The Net Settlement Amount will be called in the currency required by the Clearing House. Each Clearing Member is responsible for its own cash management by monitoring Collateral requirements and taking appropriate actions to deposit or release Eligible Assets as necessary.

12.5 Each Clearing Member must ensure that it has provided the Settlement Bank with adequate Eligible Cash or has appropriate arrangements with its Settlement Bank to enable its Settlement Bank to satisfy its Net Settlement Amounts payable to the Clearing House at each settlement cycle.

12.6 A Clearing Member may request that Eligible Cash, Eligible Securities or Eligible Precious Metals be substituted with alternate forms of Eligible Assets. Requests for such substitutions can be made by the Clearing Member using the clearing system. Substitutions are subject to confirmation of receipt by the Clearing House prior to release of the Eligible Assets being substituted. In most cases, substitutions can be made within the same day. The relevant cut-offs and timings for substitutions are set out on the Website. This paragraph is subject to any other agreement that is made between the Clearing House and the Clearing Member.

13 Fees and Charges

13.1 Fees and charges for clearing Transactions are set out in the Fees and Charges Notice, which is published on the Website. Fees and Charges are payable in the currencies set out in the Fees and Charges Notice. The Clearing House collects fees and charges on a monthly basis through each Clearing Member's Bank Account. Clearing Members are notified of applicable fees for each month in arrears on the fourth Business Day of each month and collected through the settlement cycle on the seventh Business Day of each month.

13.2 If the Clearing Member does not have adequate Eligible Cash in the required currency in its Bank Account, the Clearing House may take Eligible Cash in a different currency from the Clearing Member's Bank Account and then charge the Clearing Member for conversion at the rates set out in the Fees and Charges Notice.
13.3 The Clearing House will transfer Equivalent Distributions on Eligible Securities transferred to it in accordance with Rule 6.3 within five (5) Business Days of receipt of the relevant Distributions by the Custodian.

13.4 The Clearing House will pay interest on Eligible Cash. The Clearing House will determine the interest rate and calculate the interest payable each Business Day in respect of the previous Business Day and publish such rates on the Website. Interest will be payable on a monthly basis.

13.5 The Clearing House will pass on custody fees to Clearing Members which provide Eligible Securities and depositary fees to Clearing Members which provide Eligible Precious Metals at the rates set out in the Fees and Charges Notice.

14 Reports

14.1 The Clearing House will provide the Clearing Member with the following reports:

(a) EOD Asset Inventory Trial Balance;
(b) EOD Full Value Delivery Margin Requirements;
(c) EOD Pledge Stock;
(d) EOD Recap Ledger Audit Report;
(e) IDY Recap Ledger Audit Report;
(f) EOD Span Recap Ledger-Total PB Requirements by PB Acct.;
(g) IDY Span Recap Ledger-Total PB Requirements by PB Acct;
(h) EOD Span Recap Ledger-Detail By Position Accounts;
(i) IDY Span Recap Ledger-Detail By Position Accounts;
(j) EOD Span Recap Ledger-PB By Commodity Group;
(k) IDY Span Recap Ledger-PB By Commodity Group;
(l) EOD Span Recap Ledger-FNL Performance Bond Requirements;
(m) IDY Span Recap Ledger-FNL Performance Bond Requirements;
(n) EOD Recap Ledger-Total Variation By Settlement;
(o) IDY Recap Ledger-Total Variation By Settlement;
14.2 Reports can be retrieved in pre-formatted form or in a form capable of interface through the Clearing System and are generally available to Clearing Members by 21:00.

14.3 The Clearing House requires that Clearing Members inform the Clearing House not later than one (1) hour before the time at which the Clearing House publishes the EOD Daily Trade and Position Register on any Business Day of their Clients’ final end of day positions. This is known as the PCS deadline.

15 **IRS reports**

15.1 The Clearing House will provide IRS Clearing Members with the following reports:

<table>
<thead>
<tr>
<th>Report</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coupon Advisory</td>
<td>Firm level report available circa 0100 GMT in excel format</td>
</tr>
<tr>
<td>Reset Report</td>
<td>Daily report available circa 0100 GMT in FpML format.</td>
</tr>
</tbody>
</table>
Position Report
Daily report available circa 0100 GMT in FpML format.

Trade Registers
Daily report available circa 0100 GMT in excel format

IRS Risk Parameter File
Daily report available circa 0100 GMT

IRS Margin Data File
Daily report available circa 0200 GMT.

EOD reports for Collateral Management and Settlement Banking
Daily reports including Asset Inventory Trial Balance, Margin Requirement, Variation Margin Requirement and Final Margin Accounts, available circa 0530 GMT.

PAI Rate File
Daily report available circa 2000 GMT

CMECE Holiday Calendar
Daily report available circa 2000 GMT

Discount Factor Report
Daily report available circa 2130 GMT

Curve Input Report
Daily report available circa 2130 GMT

IRS Stress Test
Daily report available circa 1330 GMT T+1

Scaled Log Returns
Daily report available circa 1400 GMT

Base Curves
Daily report available circa 1400 GMT

Further information about the purpose of each report is set out in the IRS Operations Manual.

16 Transfer of IRS Contracts pursuant to Rules 5.3 and 3A.6

16.1 Transfers may be requested due to processing errors or a change of Clearing Member by a Client. The Client notifies the Clearing House directly to transfer a Contract between Clearing Members. The Clearing House will then reach out to both the current Clearing Member and the receiving Clearing Member. In accordance with Rules 5.3 and 3A.6, the Clearing House may process the transfer and send transfer confirmation messages to both Clearing Members. The Client ID will remain constant throughout this process.

16.2 Where a Contract is transferred pursuant to Rules 5.3 or 3A.6 on the coupon payment value date, the Contract will be transferred without the coupon payment. It is assumed that the
relevant IRS Clearing Members will compensate for this by exchanging upfront payments with each other of equivalent value to the coupon payment.

17 **Time period for allocation of Exchange Contracts to the relevant Client Account**

17.1 If a Clearing Member is required to re-allocate an Exchange Contract and any Collateral registered in a Standard Omnibus Client Account to another Client Account, such re-allocation must be done no later than the earlier of:

(a) sixty (60) minutes after the relevant Exchange Transaction has been novated in accordance with Rule 5.2; or

(b) the start of the next Settlement Cycle.

18 **Client support**

The Clearing House provides client support to Clearing Members between the hours of 07:00 and 19:00 Monday to Friday other than Holidays. However, a Clearing Member technical helpdesk is available to assist with queries from Clearing Members twenty-four (24) hours per day, six (6) days per week. The telephone number for the Clearing Support Desk is +44 0(20) 3379 3131.
Guarantee Funds Procedure

1 Introduction

The Clearing House has two Guarantee Funds: a Standard Guarantee Fund and an IRS Guarantee Fund. The Guarantee Funds are an important element of the overall system of financial safeguards operated for the protection of the Clearing House, its Clearing Members and the integrity of the markets cleared. Clearing Members active in the clearing of both Standard and IRS Transactions must contribute to both Guarantee Funds. The Contribution posted by a Clearing Member is available for use in the event that it is unable to meet its obligations to the Clearing House and the costs to the Clearing House of managing the default exceed the Collateral that the Clearing Member has transferred to it. The Clearing House may use its own contribution and then the Contributions of non-defaulting Clearing Members of the same category of the Defaulting Clearing Member should the costs of managing the default of a Defaulting Clearing Member exceed the value of that Clearing Member's assets held by the Clearing House.

2 Fund Size and Composition

The size of each of the Guarantee Funds is determined by the Clearing House on the basis of its Guarantee Fund policy. In accordance with the Standard Guarantee Fund Policy, the Standard Guarantee Fund will, other than for exceptional, short periods defined in the policy, be at least equal in value to the highest stress-tested hypothetical loss in excess of Collateral attributable to any one Standard Clearing Member. In accordance with the IRS Guarantee Fund Policy the IRS Guarantee Fund will, other than for exceptional short periods defined in the policy, be at least equal in value to the two highest stress-tested hypothetical losses in excess of Collateral attributable to IRS Clearing Members. The relative size of the contributions of the Clearing House will be assessed periodically. The adequacy of the size of the Standard Guarantee Fund will be formally assessed at least quarterly in conjunction with the Risk Committee. The adequacy of the size of the IRS Guarantee Fund will be formally assessed at least monthly.

3 Calculation of Contributions

3.1 Unless otherwise communicated by the Clearing House, a Standard Clearing Member's Contribution is the higher of:

(a) the minimum Contribution of the equivalent of USD 2.5 million; or

(b) such Standard Clearing Member’s proportionate share of the current Standard Guarantee Fund, derived from application of the Standard Contribution Formula.
3.2 Subject to paragraph 3.3 of this Guarantee Funds Procedure, unless otherwise communicated by the Clearing House, an IRS Clearing Member’s Contribution is the higher of:

(a) the minimum Contribution of the equivalent of EUR 10 million at the Clearing House’s discretion; or

(b) such IRS Clearing Member’s proportionate share of the current IRS Guarantee Fund, derived from application of the IRS Contribution Formula.

3.3 Unless otherwise communicated by the Clearing House, where two IRS Clearing Members are Affiliated Clearing Members and one of such IRS Clearing Members only maintains an IRS House Account with the Clearing House, and the other IRS Clearing Member only maintains IRS Client Accounts with the Clearing House, each of those IRS Clearing Members’ Contributions are the higher of:

(a) the minimum Contribution of the equivalent of EUR 5 million at the Clearing House’s discretion; or

(b) 50% (fifty per cent) of the aggregate of both IRS Clearing Members’ proportionate share of the current IRS Guarantee Fund, derived from application of the IRS Contribution Formula.

4 Re-calculation of Contributions

4.1 The Clearing House will re-calculate Standard Clearing Member’s Contributions to the Standard Guarantee Fund on a calendar quarterly cycle, reflecting any adjustments to the size of the Fund in those calculations but may do so more frequently if it so determines.

4.2 The Clearing House will re-calculate IRS Clearing Member’s Contributions to the IRS Guarantee Fund on a monthly cycle, reflecting any adjustments to the size of the IRS Guarantee Fund in those calculations but may do so more frequently if it so determines. In particular, the Clearing House will re-calculate IRS Clearing Members’ Contributions to the IRS Guarantee Fund more frequently than monthly in the event that the risk profile of the two largest IRS Clearing Members in terms of the stress-tested hypothetical losses in excess of Collateral on any given day exceeds the size of the current IRS Guarantee Fund.

4.3 In cases where the size of a Guarantee Fund is unchanged, changes to Contributions will be driven by the standard formula and interactions with the minimum requirement. Within a calendar quarter for Standard Clearing Members and a calendar month for IRS Clearing Members, the Clearing House will require an incremental Contribution if the market value of any Contribution less the relevant Clearing House haircut has dropped below the level of the required Contribution.
5 Notification and Payment of Contributions

5.1 No later than two (2) Business Days after the calculation or re-calculation of Contributions, the Clearing House will notify Clearing Members of the size of their new Contributions with the underlying detail.

5.2 Incremental contributions must be received by the Clearing House before 15:00 on the next Banking Day following the date of the notification made by the Clearing House. The Clearing House may debit any such Contribution from the Clearing Member’s Bank Account at the next Settlement Cycle in accordance with Rule 4.2.2.

6 Form and valuation of Contributions

6.1 Contributions to a Guarantee Fund may be made in Eligible Cash or Eligible Securities. Assessments must be paid in Eligible Cash.

6.2 The market value of, and haircuts applicable to, Eligible Cash and Eligible Securities transferred to the Clearing House as Contributions to the Guarantee Funds and Assessments will be determined in the same way as the market value of Eligible Cash and Eligible Securities transferred to the Clearing House as Collateral in accordance with the Clearing and Settlement Procedure.

7 Assessments

7.1 In terms of the contingent coverage of the inadequacy of Collateral in the event of a Clearing Member default, the Guarantee Funds constitute the funded portions of the Clearing House's financial safeguards packages. The Assessments constitute additional amounts that the Clearing Members are contractually obligated to provide to the Clearing House in the event of the inadequacy of a Guarantee Fund on a Clearing Member default. Amounts callable as Assessments are unfunded elements of each financial safeguards package.

7.2 The maximum Standard Assessment commitment for each Standard Clearing Member is fixed at 550% (five hundred and fifty per cent) of its current Contribution to the Standard Guarantee Fund, subject to the capping and Cooling Off Period provisions detailed in Rule 8.7.

7.3 The IRS Assessment is calculated at least monthly. IRS Assessments are calculated based on a non-defaulting IRS Clearing Member’s proportionate share of the theoretical third and fourth largest IRS Clearing Member losses produced by the Clearing House’s Stress Test Methodology, subject to a minimum of 50% (fifty per cent) of the total IRS Guarantee Fund prior to the start of the IRS Cooling Off Period. In particular, the Clearing House may re-calculate IRS Clearing Members’ IRS Assessments more frequently than monthly in the same circumstances as it can re-calculate IRS Clearing Members’ Contributions.
7.4 The Clearing House will notify Clearing Members of their maximum Assessments no later than two (2) Business Days after the calculation or re-calculation of such Assessments.

8 Distributions, Payments and Charges linked to Eligible Assets

Distributions related to Eligible Securities will be made by the Clearing House and interest payments related to Eligible Cash will be paid by the Clearing House within five (5) Business Days of receipt of the Distributions by the Custodian at the end of each calendar quarter. The Clearing House will pass on the custody charges that it incurs in respect of Eligible Securities, detailing the charges to Clearing Members.

9 Miscellaneous

9.1 For the avoidance of doubt, Contributions held by the Clearing House will not under any circumstances be considered payment in full or in part for any Collateral or other amounts required by the Clearing House.
Delivery Procedures

1 Introduction

1.1 These Precious Metal Delivery Procedures describe the delivery mechanics in respect of physically deliverable OTC Precious Metal Forward Contracts as set out in the Contract Module and shall apply to Clearing Members entering into OTC Precious Metal Forward Contracts with the Clearing House.

1.2 Delivery is effected by transferring unallocated Precious Metal between the Unallocated Precious Metals Accounts of Clearing Members and the Clearing House.

2 Operating Times

OTC Precious Metal Forward Contracts can be accepted for clearing on any Business Day.

3 Unallocated Precious Metals Accounts

3.1 Clearing Members wishing to participate in Precious Metal Forward Contracts shall open and maintain one or more Unallocated Precious Metals Accounts in respect of unallocated Precious Metal.

3.2 Clearing Members shall open and maintain Unallocated Precious Metals Accounts for the purposes of making delivery of unallocated Precious Metal to and taking delivery of unallocated Precious Metal from the relevant Unallocated Precious Metals Account of the Clearing House. Clearing Members shall provide the details of their Unallocated Precious Metals Accounts to the Clearing House before entering into OTC Precious Metal Forward Contracts with the Clearing House. Clearing Members shall ensure that the Clearing House holds accurate and up to date details of their Unallocated Precious Metals Accounts at all times.

3.3 The Clearing House shall open and maintain Unallocated Precious Metals Accounts for the purposes of making delivery of unallocated Precious Metal to and taking delivery of unallocated Precious Metal from the relevant Unallocated Precious Metals Account of the Clearing Member. The Clearing House shall provide details of its Unallocated Precious Metals Accounts to Clearing Members entering into OTC Precious Metal Forward Contracts with the Clearing House.

3.4 Clearing Members shall at all times comply with any applicable provisions of the LPMCL, any other applicable legislation and any applicable requirements, terms, conditions and procedures of any relevant bank in performing its obligations under OTC Precious Metal Forward Contract. Each Clearing Member shall obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.
3.5 Unallocated Precious Metals Accounts in respect of unallocated Precious Metal shall be
denominated in fine troy ounces of Gold (to three decimal places) and unallocated Silver,
Platinum and Palladium shall be denominated in troy ounces of Silver, Platinum and Palladium
(to three decimal places), as applicable.

3.6 Each Clearing Member with a requirement to deliver shall ensure that all unallocated Precious
Metal delivered is free and clear of all Encumbrances.

4 Delivery Process

4.1 Delivery under an OTC Precious Metal Forward Contract is effected by the transfer of
unallocated Precious Metal in accordance with the terms of such Contract from the Unallocated
Precious Metals Account of the seller to the relevant Unallocated Precious Metals Account of
the Clearing House and from the relevant Unallocated Precious Metals Account of the Clearing
House to the Unallocated Precious Metals Account of the buyer.

4.2 In order to effect the delivery of an OTC Precious Metal Forward Contract, the buyer shall pay
cash to the Clearing House and send a transfer instruction to its Settlement Agent for Precious
Metal in order to receive Precious Metal into its Unallocated Precious Metals Account. The
Clearing House must receive such payment from the buyer before the Clearing House
authorises the transfer of Precious Metal from its Unallocated Precious Metals Account to that
of the buyer.

4.3 In order to effect the delivery of an OTC Precious Metal Forward Contract, the seller shall send
a transfer instruction to its Settlement Agent for Precious Metals in order to allow unallocated
Precious Metal to be transferred from its Unallocated Precious Metals Account to that of the
Clearing House. The Clearing House must receive the Precious Metal in its Unallocated
Precious Metals Account before the Clearing House authorises payment to the seller.

4.4 The detailed delivery timings are set out in paragraph 6 below and are subject to any
amendment to the operational arrangements of the Settlement Agent for Precious Metals. The
Clearing House shall notify Clearing Members of any such amendments where such
amendments are known.

4.5 Offsetting positions for an Account are held open until delivery and all open positions are netted
during the delivery process. For the avoidance of doubt, offsetting positions in the House
Account shall not be netted against offsetting positions in a Client Account.

4.6 In accordance with the terms stipulated by the LPMCL, the Settlement Agent for Precious Metal
acting for the Clearing House has reserved the right to reverse provisional or erroneous entries
credited to the Unallocated Precious Metals Account of the Clearing House. In such
circumstances, the Clearing House shall have the right to reverse or adjust any payments made
in respect of such entries and to give such directions as appropriate to the Clearing Members who are counterparties to the corresponding OTC Precious Metal Forward Contracts.

5 Third Parties

5.1 All payments relating to an OTC Precious Metal Forward Contract shall be made between the Clearing House and the Clearing Member. For the avoidance of doubt, the Clearing House will not make any payments to Clients. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to an OTC Precious Metal Forward Contract.

5.2 Unless otherwise instructed, the Clearing House delivers Precious Metal to, and receives the delivery of Precious Metal from, the Clearing Member’s Unallocated Precious Metals Account for which the details have been provided to the Clearing House as described in paragraph 3.2 above. In respect of Precious Metals, the Clearing House may accept delivery from, and make delivery to, Unallocated Precious Metals Accounts of third parties notified by the Clearing Member to the Clearing House. Third party Unallocated Precious Metal Accounts may be used for any Client sub-account. For the avoidance of doubt, the Clearing Member is at all times responsible for the satisfactory performance of the OTC Precious Metal Forward Contract (including completion of its and its nominated third parties’ delivery and payment obligations). The Clearing House has no obligations or liabilities under the Rules to any person other than a Clearing Member.

5.3 The Clearing Member shall notify the Clearing House of Unallocated Precious Metals Accounts relating to any Client Accounts no later than 16:00 hours (London time) on the Business Day prior to delivery.

6 Delivery Timings

6.1 The Clearing House shall provide a report detailing delivery obligations for each Unallocated Precious Metals Account of the Clearing Member as soon as reasonably practicable after 16:00 hours (London time) on the Business Day prior to the delivery day. The report shall describe net flows of cash and Precious Metal relating to physically deliverable Precious Metal Forward Contracts of the Clearing Member at the sub-account level.

6.2 The Clearing House shall send a SWIFT message to the Clearing Member in respect of cash and Precious Metal overnight prior to the delivery day.

6.3 For cash flows

(a) A Clearing Member with a net requirement to pay cash to the Clearing House shall pay such cash from its Bank Account to the bank account of the Clearing House as part of the RTH Settlement Cycle but before 09:00 hours (London time) on the delivery day.
(b) For Clearing Members with a net requirement to receive cash from the Clearing House:

(i) where such Clearing Member also has a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, upon receipt of confirmation that Precious Metal has been delivered to the Unallocated Precious Metals Account of the Clearing House; or

(ii) where such Clearing Member does not also have a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, no earlier than 10:00 hours (London time) on the delivery day.

(c) Provided that relevant Precious Metal deliveries have been made by the Clearing Member to the Clearing House, the Clearing House shall complete the payment of cash to the Bank Account of the Clearing Member, no later than 14:00 hours (London time) on the delivery day.

6.4 For Precious Metal flows

(a) A Clearing Member with a net requirement to deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing House shall complete such delivery, or shall ensure that such delivery is completed from the nominated third party account, by 13:00 hours (London time) on the delivery day.

(b) For Clearing Members with a net requirement to receive Precious Metal from the Clearing House:

(i) where such Clearing Member also has a net requirement to pay cash to the Clearing House, the Clearing House shall deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, upon receipt of confirmation that cash has been paid to the bank account of the Clearing House; or

(ii) where such Clearing Member does not also have a net requirement to pay cash to the Clearing House, the Clearing House shall deliver Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, no earlier than 09:00 hours (London time) on the delivery day.

(c) Provided that relevant cash payments have been made by the Clearing Member to the Clearing House, the Clearing House shall complete the delivery of Precious Metal to the Unallocated Precious Metals Account of the Clearing Member, or its nominated third party account, no later than 16:00 hours (London time) on the delivery day.
7 Early close-out prior to delivery day

7.1 Here the Clearing Member, or its Client, wishes to enter into a Transaction to close out a position prior to its delivery date, the Clearing Member shall enter into an opposing Transaction at the same transaction price as the original position. Where such a price does not represent a fair market value for the Transaction at the time of the offsetting Transaction, an additional cash payment will arise between the Clearing Member closing out and its trading counterparty to such Transaction.

To ensure the early close out of positions, the Clearing Member shall make a request to the Clearing House that such positions are closed out at the time the offsetting Transaction is submitted for clearing and shall provide the following information to the Clearing House:

(a) the Account and sub-account in which the Transactions have been placed (the offsetting Transaction must be in respect of the same Account and sub-account as the original position);

(b) the transaction identifiers for the two offsetting Transactions;

(c) the amount of Precious Metal to be closed out (subject to the maximum amount, being the lower of the two Transaction volumes); and

(d) the amount and direction of any additional cash payment being made between the counterparties entering into the offsetting Transactions.

7.2 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone to confirm instructions.

7.3 Where an additional cash payment is included, such payment may be made through the Clearing House settlement cycle.

7.4 If the cash payment is to be included in the Clearing House settlement cycle, the Clearing House shall confirm payment details with the counterparty Clearing Member. Positions will be closed out once the cash payment has been made in the settlement cycle.

7.5 If the cash payment is not to be included in the Clearing House settlement cycle, the Clearing Member shall provide verifiable information to the Clearing House demonstrating that such payment has been made between the counterparties. Positions will be closed out once the cash payment has been verified.
Complaints Procedure

1 Introduction

This Complaints Procedure is designed to ensure that all Complaints received from Clearing Members are dealt with fairly and in an objective and prompt way.

2 Types of Complaints

2.1 Paragraphs 3 to 7 of this Complaints Procedure set out how a Clearing Member who has a Clearing House Complaint may make a formal complaint to the Clearing House and how the Clearing House will investigate and resolve such a complaint.

2.2 Paragraph 8 of this Complaints Procedure sets out how a Clearing Member who has a Clearing Member Complaint may make a formal complaint to the Clearing House and how the Clearing House will investigate and resolve such a complaint.

3 Requirements for Clearing House Complaints

3.1 A Clearing House Complaint must:

(a) be made in writing, dated and addressed to the Regulatory Compliance Officer, CME Clearing Europe Limited, One New Change, London EC4M 9AF;

(b) set out, so far as possible, full details of the substance of the Clearing House Complaint including, without limitation, the date(s) and place(s) when it occurred, the names of the persons involved;

(c) set out the outcome that is sought by the complainant;

(d) contain any other details or documentation that the complainant considers that the Clearing House shall require in order to investigate the Clearing House Complaint;

(e) be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Clearing House Complaint or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and

(f) contain the complainant’s full name and address and the contact details of the person who the Clearing House should contact in relation to the Clearing House Complaint.
4 Acknowledgement and investigation

4.1 The Clearing House must acknowledge the Clearing House Complaint in writing, to the address shown on the letter of complaint, within ten (10) Business Days of receipt.

4.2 If, in the opinion of the Clearing House, the letter of complaint meets the Complaints Requirements (as set out in paragraph 3 above), the Clearing House will refer the Clearing House Complaint to an Investigation Committee. Complaints must be referred to the Investigation Committee within ten (10) Business Days of receipt of the letter of complaint by the Clearing House.

4.3 An Investigation Committee shall consist of any 3 of the following persons:

(a) The Chief Executive Officer of the Clearing House;

(b) The Chief Operating Officer of the Clearing House;

(c) Any head of department of the Clearing House;

(d) The Regulatory Compliance Officer of the Clearing House; and

(e) Any of the independent non-executive members of the Board;

providing always that an Investigation Committee shall have at least one Director among its number.

4.4 The Clearing House reserves the right to consider a Clearing House Complaint made by a Clearing Member that is also a member of the Exchange, the subject of which is also the subject of an Exchange Complaint, in conjunction with the Exchange.

4.5 If, in the opinion of the Clearing House, the letter of complaint does not meet the Complaints Requirements, the Clearing House reserves the right not to commence an internal investigation until, in its opinion, the Complaints Requirements are met.

5 Internal investigation

5.1 The Investigation Committee has responsibility for carrying out an objective and thorough review and investigation of the Clearing House Complaint.

5.2 The Investigation Committee will carry out an investigation and review into the subject matter of the Clearing House Complaint (the **Internal Investigation**) and must deliver its report to the complainant and to the Board of the Clearing House within seventy (70) Business Days from the date on which the Clearing House Complaint was referred to it. The report will contain recommendations for resolving the Clearing House Complaint or it may contain no
recommendations if, in the opinion of the Investigation Committee, this is considered to be appropriate. The report will also contain reasons for any decision taken by the Investigation Committee.

5.3 The costs of the Internal Investigation, review and report will be met entirely by the Clearing House.

6 Referral to an Independent Complaints Investigator

6.1 If the complainant is not satisfied with the outcome of the Internal Investigation, or if the complainant does not receive the Investigation Committee’s report within seventy (70) Business Days of the Clearing House Complaint being referred to it (and providing that the subject matter of the Clearing House Complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of a Clearing House Complaint from the same complainant) the complainant may request that the Clearing House refer the Clearing House Complaint to an independent complaints’ investigator (the Independent Investigator) who has been nominated in accordance with the procedure set out in paragraph 6.4 below.

6.2 A complainant must make a referral request to the Clearing House:

(a) in writing to the Regulatory Compliance Officer of the Clearing House;

(b) no later than:

(i) ten (10) Business Days following receipt by the complainant of the report from the Investigation Committee (provided in accordance with paragraph 5.2 above); or

(ii) eighty (80) Business Days from the submission of the Clearing House Complaint to the Clearing House (in accordance with paragraph 3.1) if no report has been received from the Investigation Committee (as per paragraph 5.2).

6.3 The Clearing House must refer the Clearing House Complaint to an Independent Investigator within ten (10) Business Days of receipt of a written request for referral made in accordance with paragraph 6.2 above.

6.4 An Independent Investigator shall be nominated for the purposes of this Complaints Procedure by the Centre for Effective Dispute Resolution (CEDR), with whom the Clearing House will liaise. The Independent Investigator will:

(a) be independent of the Clearing House, meaning for the purposes of this Complaints Procedure, that the Independent Investigator is not and has not ever been an officer, director or employee of the Clearing House or any of its Affiliates;
have appropriate knowledge of how clearing is carried out by the Clearing House and of the Rules and other relevant documentation, regulation and Applicable Law; and

(c) have appropriate experience of the market and/or activities to which the Clearing House Complaint relates.

6.5 The Clearing House will allow the Independent Investigator full access to records, staff and any key individuals or such other persons as may reasonably enable him to pursue his investigation and prepare his report and recommendations.

6.6 The Clearing House will pay the fees and expenses of the Independent Investigator.

6.7 If, for reasons beyond the Clearing House’s control, a referral to an Independent Investigator is not made within the ten (10) Business Day period referred to in paragraph 6.3, the Clearing House must notify the complainant in writing as soon as possible (but in any event no more than twelve (12) Business Days following dissemination by the Investigation Committee to the complainant of the report) of the reasons for the delay.

7 Independent Investigator's procedure for dealing with the Complaint

7.1 On being appointed, the Independent Investigator must immediately notify the complainant and the Clearing House in writing of its appointment and will invite both parties to make submissions and submit any documentation they wish, within a timescale that the Independent Investigator will determine. Wherever possible, the Independent Investigator’s investigation of a Clearing House Complaint referred to it under this Procedure will be concluded within two (2) months from the date of its nomination. Where this is not reasonably possible because of the nature or complexity of the Clearing House Complaint, or any other reasonable factor, the Independent Investigator will notify both the complainant and the Clearing House in writing and must provide a further date for the completion of the investigation.

7.2 The Independent Investigator can determine its own procedure for considering the Clearing House Complaint referred to it and may, without limitation, take one or more of the following steps to do so:

(a) interview one or more Representatives of the complainant;

(b) interview one or more Representatives of the Clearing House;

(c) seek further or other information from the Clearing House and/or the complainant; or

(d) make any further or reasonable inquiries as it deems fit in order to properly and fully investigate the Clearing House Complaint.
7.3 On concluding his investigation, the Independent Investigator will produce a written report setting out its findings, conclusions and reasons for its conclusions. A copy of this report will be provided by the Independent Investigator to both the complainant and the Clearing House. In its written report, the Independent Investigator may make such recommendations it deems fit in the circumstances including a recommendation that the Clearing House make a compensatory payment to the complainant and / or takes remedial action to remedy the cause of the Clearing House Complaint.

7.4 The report will not be made public unless the complainant and the Clearing House agree that this should be the case. In the event that it is to be made public, the report will be published on the Website.

8 Clearing Member Complaints

8.1 Clearing Member Complaints should:

(a) be made in writing, dated and addressed to the Regulatory Compliance Officer, CME Clearing Europe Limited, One New Change, London, EC4M 9AF;

(b) set out, so far as possible, full details of the substance of the Complaint including, without limitation, the date(s) and place(s) when it occurred, the names of the persons involved;

(c) set out the outcome that is sought by the complainant;

(d) contain any other details or documentation that the complainant considers that the Clearing House shall require in order to investigate the Complaint;

(e) be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Complaint or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and

(f) contain the complainant’s full name and address and the contact details of the person at the complainant who the Clearing House should contact in relation to the Complaint.
1 Introduction

1.1 This FX Delivery Procedure sets out the delivery process in respect of currencies.

1.2 For the purposes of this FX Delivery Procedure references to times are to London time unless otherwise stated.

2 Definitions

2.1 Capitalised terms which are not defined in the Rules, have the meaning as set out below:

Clearing House Agent Bank means a bank used by the Clearing House to facilitate the delivery of currencies otherwise than through the CLS Bank and notified to the Clearing Members as such;

Clearing House Agent Bank Delivery Account means the account in the name of the Clearing House maintained by the relevant Clearing House Agent Bank;

CLS Delivery Commitment means the commitment given by a Clearing Member to settle a Contract through the CLS System, which commitment shall be in a form and manner specified by the Clearing House and which shall identify the CLS Agent Bank, the number of Contracts to be delivered and the component delivery values;

Clearing House CLS Agent Bank means a bank used by the Clearing House to facilitate the delivery of currencies through CLS Bank on behalf of the Clearing House;

Clearing House CLS Agent Bank Delivery Account means the account in the name of the Clearing House maintained by the relevant Clearing House CLS Agent Bank;

CLS means Continuous Linked Settlement;

CLS Agent Bank means the bank chosen by the Clearing Member to facilitate the delivery of currencies through CLS Bank on behalf of the Clearing Member and notified by the Clearing Members as such;

CLS Bank means CLS Bank International;

CLS Instruction means an instruction given by the Clearing Member or Clearing House in accordance with the rules of the CLS System;

CLS Settlement means physical delivery through the CLS System;

CLS System means the continuous linked settlement system provided by CLS Bank;
**Daily Settlement Price** means the price at which the Exchange established the value of a Contract which has not yet expired or settled at the close of a Trading Session, as described in the Exchange’s Trading Procedure;

**Delivery Commitment** means either a CLS Delivery Commitment or a Non-CLS Delivery Commitment as the context requires;

**Deliveries System** means the system provided by the Clearing House for use as set out in this Procedure and made available on the Website;

**Final Settlement Price** means the price established by the Exchange in respect of a Contract for the purposes of physical delivery or cash settlement as the case may be;

**Non-CLS Delivery Commitment** means the commitment given by a Clearing Member to settle a Contract through direct settlement of currency via the Clearing House, which commitment shall be in a form and manner specified by the Clearing House, and which shall identify the agent bank(s), the number of Contracts and the component delivery values;

**Order to Pay** means an irrevocable instruction to a bank to pay funds with value on the delivery day;

**TARGET Business Day** means a day on which the Trans-European Automated Real Gross Settlement Express Transfer is open for business; and

**Trading Session** has the meaning given in the Exchange Rules;

3 **Performance of Contracts**

3.1 Open positions outstanding at the close of trading on the last trading day shall be performed either by physical delivery or cash settlement, as specified within the relevant Contract Specification. Physical delivery shall be performed either through the CLS System or through direct settlement of currency via the Clearing House, as specified within the relevant Contract Specification, or, if not so specified, at the election of the Clearing Member.

3.2 In the case of physical delivery, the day on which delivery shall be made shall be specified within the relevant Contract Specification.

3.3 The price at which physical delivery or cash settlement is made will be the Final Settlement Price.

3.4 Delivery, either by physical delivery or cash settlement, shall comply with these FX Delivery Procedures and the Clearing House Rules.
4 Timeline for deliveries

4.1 Currency deliveries generally follow a three day settlement process occurring on the third Wednesday of the Contract Month unless such day is not a Business Day. In the event that such day is not a Business Day, delivery will be made on the next Business Day.

4.2 Clearing Members are advised to update currency delivery banking instructions at least one week prior to the last trading day of the relevant Contract to ensure proper settlement of Contracts. In addition, Clearing Members must add the IBAN number to all necessary account numbers. Failure to add the IBAN number may result in a delay in payment and/or additional bank charges.

4.3 Delivery timeline

Day one - Last Trading Day (except Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts)

The last trading day is normally the second Business Day prior to the delivery day. Day one is also the day the Clearing Member should enter its Delivery Commitments into the Deliveries System and send CLS Instructions to their CLS Agent Bank.

10:00 Final Settlement Prices are made available in the Deliveries System and as a Notice.

11:00 Delivery Commitments must be submitted by Clearing Members into the Deliveries System.

1. Any Clearing Member using the CLS System to meet a delivery obligation must enter a Delivery Commitment equal to the value of the CLS Instruction they provide to their CLS Agent Bank.

2. Contracts should not be netted across Accounts.

3. Clearing Members must verify all payment instructions.

Any changes to Delivery Commitments must be entered into the Deliveries System by 08:30 the following Business Day.

11:15 PCS submissions should be made by 11:15 to ensure "as of" trade and/or transfers are including the Clearing Member’s positions. PCS spreads should not be submitted for the expired futures “on” or “after” the last day of trading.

Day two - Last Trading Day for Canadian Dollar, Turkish Lira, Euro/Turkish Lira and Orders to Pay/Wire Transfer Due
Clearing Members should finalise all prior day Delivery Commitments, enter Delivery Commitments and finish sending CLS Instructions to their CLS Agent Bank. In addition, all Orders-to-Pay and wire transfers are due in the relevant Clearing House Agent Bank Delivery Account.

00:30 Final Settlement Prices for Turkish Lira and Euro/Turkish Lira Contracts are made available in the Deliveries System and as a Notice.

06:00 Turkish Lira denominated wire transfers are due into the Clearing House’s Agent Bank Delivery Account.

08:00 Euro denominated wire transfers are due into the Clearing House’s Agent Bank Delivery Account.

08:30 Changes to prior day Delivery Commitments should be entered into the Deliveries System. Any changes to Delivery Commitments entered after 08:30 will need to be approved by the Clearing House before they are accepted into the Deliveries System.

09:30 Final Settlement Price for Canadian Dollar Contracts made available in the Deliveries System and as a Notice.

10:00 Delivery Commitments for Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts must be submitted by the Clearing Member into the Deliveries System.

1. Any Clearing Member using the CLS System to meet its delivery obligation must enter a Delivery Commitment equal to the value of the CLS Instruction they provide to their CLS Agent Bank.

2. Contracts must not be netted across Accounts.

3. Clearing Members must verify all payment instructions.

Any changes to Delivery Commitments must be entered into the Deliveries System by 13:00 on the same day.

13:00 Orders to Pay and Wire Transfers (Non Euro) are due in the relevant Clearing House Agent Bank Delivery Account.

**Day three - settlement day**

This is normally the settlement day of all currencies. Deliveries occurring through the CLS System should be made in accordance with the deadlines and compensation conventions established by the Clearing Member’s CLS Agent Bank, the Clearing House CLS Agent Bank, the CLS Bank and the Clearing House. On this day, any Clearing Member which has not settled
its currency delivery through the CLS System should send its payment to the Clearing House's non-CLS Agent Bank by 10:00 local time of the currency's country of origin.

In the event that this day is not a Business Day, delivery will be made on the next Business Day.

(a) 10:00 currency payments are due into the Clearing House Agent Bank Delivery Account by 10:00 local time in the currency country of origin. The Clearing House will provide a complete list of the relevant Clearing House Agent Bank Delivery Accounts upon request from the Clearing Member.

(b) A delivery payment due from the Clearing House will only be made upon confirmation of the opposing currency payment having been received into the Clearing House's CLS Agent Bank Delivery Account.

5 CLS Delivery Arrangements

The CLS System

5.1 The CLS System is a real time global settlement process which allows for both sides of a currency Contract to be settled simultaneously on a payment vs. payment basis. The Clearing House will appoint two or more CLS Agent Banks to affect CLS Settlement. The CLS Agent Bank details are published on the Website and confirmation will be given to the Clearing Members on the last day of trading which CLS Agent Bank will be used to effect settlement. The Clearing House retains the right to amend its CLS Agent Bank details at any time with the exception of changes in relation to the settlement of instructions that have already been matched in the CLS System.

5.2 In the event that for any reason a CLS settlement facility or the CLS System is unavailable a Non-CLS physical delivery must be effected in accordance with paragraph 6 (Non-CLS Physical Delivery Arrangements) of this Procedure. Where this is the case the Clearing House will inform Clearing Members as soon as practically possible. It should be noted that for Non-CLS settlement the Clearing House must receive its confirmation from its Agent Bank that funds due to the Clearing House have been received before the payment of the corresponding currency is made.

5.3 Where CLS Settlement is used, the Clearing Member is not required to submit an Order to Pay or wire transfer in order to make delivery under a Contract. Instead, the Clearing Member must submit a CLS Instruction to its CLS Agent Bank. The CLS Instruction submitted by a Clearing Member must match the CLS Instruction submitted by the Clearing House in relation to the same Contract.
5.4 All Exchange Contracts are eligible for CLS Settlement where specified in the Contract Specification.

5.5 A Clearing Member which intends to use the CLS System, shall appoint a CLS Agent Bank to open the relevant accounts to allow the Clearing Member to effect CLS Settlement, which may be the Clearing House CLS Agent Bank or any other CLS Agent Bank which has been approved by the Clearing House. Clearing Members should note that this procedure can take a number of weeks. If practicable, in those situations where a Clearing Member appoints the Clearing House CLS Agent Bank to effect CLS Settlement, then, subject to the Clearing House Rules, physical delivery may occur by book entry at the Clearing House CLS Agent Bank and is not required to be settled through the CLS Bank.

5.6 Clearing Members using the CLS System will need to provide their CLS Agent Bank with the SWIFT BIC that will identify the Clearing House as the counterparty to the Contract.

5.7 The Final Settlement Price should be used when entering CLS Instructions.

5.8 Clearing Members who are settling currency deliveries via the CLS System must use the Clearing House’s SWIFT BIC, which will be provided on request.

CLS deliveries

5.9 Where a Contract Specification specifies that delivery shall be performed through CLS Settlement or a Clearing Member elects to make delivery through CLS Settlement, delivery shall follow the requirements set out in this paragraph 5 and the timetable set out in paragraph 4.

5.10 Notwithstanding the foregoing, a Clearing Member shall not be required to make physical delivery through the CLS System for any Contract where the delivery exposure of the Clearing Member is reasonably expected not to exceed a deliverable amount of USD 25 million or its equivalent at the relevant foreign exchange spot market rate for any single Contract. In such circumstances, physical delivery shall occur as directed by the Clearing House, based upon instructions from the Clearing Member, and shall conform to the arrangements set out in this FX Delivery Procedure.

5.11 The Clearing House shall determine the Clearing House CLS Agent Bank for facilitating the delivery of currencies through the CLS Bank. The Clearing House shall be the buyer to every Clearing Member which is the seller and the seller to every Clearing Member which is the buyer in the currency delivery process through the Clearing House CLS Agent Bank.

5.12 For deliveries occurring through the CLS System, the Clearing Members agree to abide by the deadlines and compensation conventions established by the their CLS Agent Bank, the Clearing House CLS Agent Bank, the CLS Bank and the Clearing House.
5.13 In respect of each of the buyer and the seller, delivery is complete once payment is made through the CLS System.

5.14 **Seller's Delivery Requirements**

(a) A Clearing Member delivering currency through the CLS System to liquidate a net short position in that currency shall, no later than 13:00 on the last day of trading, present to the Clearing House a Seller's CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the CLS Agent Bank used by the seller and the number of Contracts and the component delivery values.

(b) The Clearing Member shall arrange with its CLS Agent Bank to input the relevant instructions into the CLS System no later than 13:00 on the Business Day preceding the delivery day. The Clearing House will input the relevant contra-side banking instructions into the CLS System.

(c) A match of delivery information must occur in order for a delivery transaction to be finalised.

(d) In the event that Clearing Member instructions are not entered into the CLS System by 13:00 on the Business Day preceding the delivery day, then the unmatched transaction may not be completed and paid on the delivery date through the CLS System. In such event, delivery instructions shall be resubmitted to the CLS Agent Bank for delivery on the subsequent Business Day. Further, if the delivery instructions remain unmatched by 13:00 on the Business Day preceding the delivery day, the Clearing House may require the seller of the currency to comply with other procedures as specified by the Clearing House.

(e) If the seller's CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the seller's Clearing Member shall be assessed a fine on a per Contract basis, consistent with paragraph 9 of this Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with paragraph 9 of this Procedure.

5.15 **Buyer's Delivery Requirements**

(a) A Clearing Member that intends to accept delivery of a currency through the CLS System to liquidate a net long position in that currency shall, no later than 13:00 on the last day of trading, present to the Clearing House a buyer's CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the CLS Agent Bank used by the buyer and the number of Contracts and the component delivery values.
(b) The Clearing Member shall arrange with their CLS Agent Bank to input the relevant instructions into the CLS System no later than 13:00 on the Business Day preceding the delivery day. The Clearing House will input the Exchange’s relevant contra-side instructions into the CLS System.

(c) A match of delivery information must occur in order for a delivery transaction to be finalised.

(d) In the event that Clearing Member instructions are not entered into the CLS System by 13:00 on the Business Day preceding the delivery day, then the unmatched transaction may not be completed and paid on the delivery date through the CLS System. In such event, delivery instructions shall be resubmitted to the CLS Agent Bank for delivery on the subsequent Business Day. Further, if the delivery instructions remain unmatched by 13:00 on the Business Day preceding the delivery day, the Clearing House may require the buyer of the currency to post an Order to Pay to the appropriate Agent Bank by no later than the close of business that day, in addition to complying with other procedures as specified by the Clearing House.

(e) If the buyer’s CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the buyer's Clearing Member shall be assessed a fine on a per Contract basis, consistent with paragraph 9 of this Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with paragraph 9 of this Procedure.

6 Non-CLS Physical Delivery Arrangements

6.1 Where a Contract Specification specifies that delivery shall be performed through direct settlement of currency via the Clearing House, delivery shall follow the requirements set out in this paragraph 6.

6.2 The Clearing House shall establish such requirements and preconditions for registration as a facility for the delivery of currencies as it deems necessary.

6.3 The Clearing House shall designate a bank in each country into which currency shall be delivered, and shall make the relevant details available to the Clearing Member upon request. These banks shall notify the Clearing House when currency funds have been received. The Clearing House shall be the buyer to every Clearing Member that is a seller and the seller to every Clearing Member that is a buyer in the currency delivery process.

6.4 The amount of a currency to be delivered shall equal either (i) the Contract Size in respect of Contracts for which the Contract Size is denominated in that currency, or (ii) the Contract Size
converted to currency in respect of Contracts implied by a final mark to market to the Final Settlement Price in the minimum price fluctuation currency.

6.5 The Clearing House shall, promptly after receipt of notification that currency funds have been received from the buying Clearing Member, transfer funds denominated in the corresponding currency, as defined in the Contract Specification, previously deposited by the selling Clearing Member to the account of the buying Clearing Member. At such point, delivery in respect of the buyer is complete.

6.6 The Clearing House shall, promptly after receipt of notification that currency funds have been received from the selling Clearing Member, transfer funds denominated in the corresponding currency, as defined in the Contract Specification, previously deposited by the buying Clearing Member to the account of the selling Clearing Member. At such point, delivery in respect of the seller is complete.

6.7 The Clearing Member that is the deliverer of a currency shall bear the costs of transferring the currency into a bank designated by the Clearing House. The Clearing Member that is the receiver of a currency shall bear the costs of transferring the currency out of the bank designated by the Clearing House. Such costs may include, but are not limited to, wire transfer charges, negative interest charges and transaction fees.

**Seller’s Delivery Requirements**

6.8 In order for a selling Clearing Member to make non-CLS physical delivery arrangements the steps set out below must be followed:

(a) A Clearing Member delivering currency to liquidate a net short position shall, no later than 13:00 on the last day of trading, or on the first day preceding the delivery date, as specified in the relevant Contract Specification, present to the Clearing House a seller's Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the agent bank(s) used by the seller and the number of Contracts and the component delivery values.

(b) The Clearing Member shall arrange with their agent bank to transfer currency to the bank of the Clearing House, as directed by the Clearing House, such that the currency is received no later than 10:00 on the delivery day.

(c) If, in relation to an Exchange Contract, the seller's Non-CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, consistent with paragraph 9 of this Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading
shall be deemed a delivery obligation failure and acted upon in accordance with paragraph 9 of this Procedure.

(d) From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the selling Clearing Member’s responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to make delivery. For the avoidance of doubt, a Seller’s non-compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.

(e) The Clearing Member representing the seller shall have made all provisions necessary to make delivery within the relevant country.

6.9 Selling Clearing Members must deliver their currency from a bank in the country of origin of the relevant currency. The delivering bank must be a commercial bank. The Clearing House will provide a list of banks which a Clearing Member may use in the Deliveries System. If a Clearing Member wishes to use a bank which is not included on the list of banks provided by the Clearing House it must first gain the permission of the Clearing House. Should the Clearing House grant such permission, the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.10 Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

6.11 It is the responsibility of the selling Clearing Member to instruct its bank to transfer the full value of the delivery (i.e. not to deduct charges) of currency to the Clearing House Agent Bank Delivery Account by 10:00 local time in the country of the relevant Clearing House Agent Bank on the delivery day.

6.12 The following information must be contained in the instructions sent by the selling Clearing Member’s bank to the Clearing House Agent Bank:

(a) the currency amount (not the number of Contracts);

(b) the name of the Clearing Member; and

(c) if relevant, the name of the Client.
This information is critical to ensure that payments are received in a timely manner and are applied correctly. Failure to have the currency delivery confirmed in the Clearing House Agent Bank Delivery Account by the deadline may result in a failed delivery, interest and/or overdraft charges and a delay in releasing the opposing currency to the selling Clearing Member. Clearing Members who fail to make deliveries by the relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Rules.

**Buyer's Delivery Requirements**

6.13 In order for a buying Clearing Member to make a non-CLS physical delivery arrangements the steps set out below must be followed:

(a) A Clearing Member that intends to accept delivery of currency to liquidate a net long position shall, no later than 13:00 on the last day of trading, present to the Clearing House a Non-CLS Delivery Commitment, in a form and manner specified by the Clearing House, which identifies the agent bank(s) used by the buyer and the number of Contracts and the component delivery values.

(b) By 13:00 on the first Business Day preceding the delivery day, the Clearing Member shall either deposit, or present a bank Order to Pay, the delivery amount (as described in 6.3) denominated in the currency of the minimum price fluctuation. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

(c) If, in relation to a Contract, the Non-CLS Delivery Commitment is received later than 13:00 on the last day of trading, but not later than 10:00 on the following day, the buying Clearing Member shall be assessed a fine on a per Contract basis, in accordance with paragraph 9 of this Procedure. Any deliveries memoranda or instructions received subsequent to 10:00 on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with paragraph 9 of this Procedure.

(d) From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the buying Clearing Member’s responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which it is desired to accept delivery. For the avoidance of doubt, a Buyer’s non-
compliance with applicable local requirements in the country in which delivery is to be made shall not constitute a Force Majeure Event.

(e) The Clearing Member that is the buyer shall have made all provisions necessary to receive delivery within the relevant country.

6.14 Buying Clearing Members must take delivery of the currency at a bank in the country of origin of the relevant currency. The receiving bank must be a commercial bank. The Clearing House will provide a list of banks which a Clearing Member may use in the Deliveries System. If a Clearing Member wishes to use a bank which is not included on the list of banks provided by the Clearing House it must first gain the permission of the Clearing House. Should the Clearing House grant such permission, the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.15 Clearing Members are advised that opening new accounts with banks may take a number of weeks. New accounts must be opened up far enough in advance of delivery so that a payment of the relevant currency will be able to be made on the delivery date.

6.16 The receiving bank should be advised and ready to accept the transfer of the relevant currency into the buying Clearing Member’s account. If the Clearing Member does not adequately inform the receiving bank, the receiving bank may reject the transfer from the Clearing House Agent Bank and a late delivery will occur. As the Clearing House will hold any currency for delivery in a non-interest bearing account at the Clearing House Agent Bank, the loss in interest or cost of negative interest could be considerable.

6.17 Delivery will only be made to the receiving bank if the information supplied to the Clearing House in relation to the receiving bank and the relevant account is complete and accurate.

7 Orders-to-Pay and Wire Transfers

7.1 Any Clearing Member not using CLS to facilitate physical delivery, where permitted by the Contract Specification, may have to submit an Order to Pay or a Wire Transfer. The Clearing House will provide its account details settlement by way of Order to Pay or Wire Transfer upon request from a Clearing Member.

7.2 The Clearing House will only accept Orders to Pay from banks that meet the eligibility criteria set out on the Website. The Clearing House reserves the right to refuse to accept an Order to Pay without consultation with the Clearing Member.

Order to Pay

7.3 Clearing Members electing to submit an Order to Pay are required to have the Order to Pay to the Clearing House Agent Bank by 13:00 on the Business Day prior to the delivery day.
7.4 Orders to Pay are applicable under the following conditions (unless CLS Settlement is to be used):

(a) A Clearing Member is the buyer of an Exchange Contract;

(b) A Clearing Member is the seller of a USD/TRY Exchange Contract resulting in paying USD to receive TRY; or

(c) There is a dual Order to Pay requirement for the Exchange Contract. A dual requirement requires both the seller and buyer to submit an Order to Pay. This is required for all Exchange Contracts with the exception of Contracts for PLN/EUR, HUF/EUR and CZK/EUR.

7.5 Orders to Pay are to be sent to the Clearing House Agent Bank. To determine which Clearing House Agent Bank the Order to Pay should be sent to, the Clearing Member must contact the Clearing House.

Wire transfers

7.6 A Clearing Member which elects to send a wire transfer of funds instead of an Order to Pay to the Clearing House’s Agent Bank in order to make delivery under a Contract must ensure that the payment is received into the Clearing House Agent Bank Delivery Account by 13:00 local time at the location of the relevant Clearing House Agent Bank one (1) Business Day prior to the settlement day in the currency’s country of origin except for deliveries in relation to any PLN/EUR, HUF/EUR and CZK/EUR Contracts.

7.7 A Clearing Member which elects to send a wire transfer of funds in order to make delivery in relation to any PLN/EUR, HUF/EUR, CZK/EUR or EUR/TRY Contract must ensure that the payment is received into the Clearing House Agent Bank Delivery Account by 08:00 local time at the location of the relevant Clearing House Agent Bank one (1) Business Day prior to the settlement day in the currency’s country of origin.

7.8 A Clearing Member which elects to send a wire transfer of funds in order to make delivery in relation to any USD/TRY Contract must ensure that the payment is received into the Clearing House Agent Bank Delivery Account by 06:00 local time at the location of the relevant Clearing House Agent Bank one (1) Business Day prior to the settlement day in the currency’s country of origin.

7.9 The Clearing House does not pay any interest on any funds received into a Clearing House Agent Bank Delivery Account.

Payment Instructions
7.10 All Orders to Pay and wire transfers of funds into a Clearing House Agent Bank Delivery Account must include the name of the Clearing Member in the instructions. Any delay in sending funds or other error relating to depositing any funds into the Clearing House Agent Bank Delivery Account may result in a delay in payment of the relevant currency by the Clearing House. Clearing Members who fail to make deliveries by the relevant deadline are required to submit a letter of explanation to the Clearing House and may be subject to disciplinary action or a Declaration of Default pursuant to the Rules.

7.11 A Clearing Member who fails to deposit funds in accordance with this Procedure will be responsible for any overdraft charges assessed against the Clearing House Agent Bank Delivery Account and any other charges as the Clearing House deems appropriate. The overdraft charges may only be waived if the Clearing House receives a letter from the Clearing Member’s bank stating that the bank will make the Clearing House whole, compensating the Clearing House in accordance with standard bank practice. Such letter must be received by the Clearing House no later than ten (10) Business Days after such overdraft charge has been notified to the Clearing Member.

8 Cash Settlement Arrangements

8.1 Where a Contract Specification specifies that delivery shall be performed through cash settlement, delivery shall follow the requirements set out in this paragraph 8.

8.2 Cash settlement shall occur at the Final Settlement Price.

8.3 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the seller shall pay to the Clearing House in respect of each Contract outstanding in respect of a Transaction the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, the Clearing Member that is the seller shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size.

8.4 Where the Final Settlement Price exceeds the Daily Settlement Price on the immediately preceding Business Day, a Clearing Member that is or is representing the buyer shall receive from the Clearing House in respect of each Contract outstanding the difference between the Final Settlement Price and the Daily Settlement Price on the immediately preceding Business Day, multiplied by the Contract Size. Where the Daily Settlement Price on the immediately preceding Business Day exceeds the Final Settlement Price, a Clearing Member that is the buyer shall pay to the Clearing House in respect of each Contract outstanding the difference
between the Final Settlement Price and the Daily Settlement Price on the immediately
preceding Business Day multiplied by the Contract Size.

8.5 All payments described in this paragraph 8 shall be in a form determined by the Clearing
House.

9 Delivery Infractions

Late or Inaccurate Delivery

9.1 If a Clearing Member with a Delivery Commitment to pay funds fails to deposit such funds in
order to make timely payment as required in this Procedure, the Clearing House may impose a
fine upon the Clearing Member pursuant to the schedule of fines set out below, in addition to
charging the current overdraft rate applicable to the Clearing House's delivery account in the
currency in question or any other compensation due to the late or inaccurate delivery. If by
09:30 on the day following the date required in this Procedure, such deposit is not made, the
failure shall be deemed a delivery obligation failure of the Clearing Member and the matter shall
be acted upon pursuant to this Procedure. Funds deposited earlier than the required date of
deposit shall not earn interest for the early time period.

9.2 If the information contained in either a buying Clearing Member's Non-CLS Delivery
Commitment is inaccurate so that delivery cannot be accomplished in a timely manner, fines or
damages may be assessed as in the remainder of this paragraph 9 of this Procedure.

9.3 If the Clearing House takes any action pursuant to this paragraph 9 of this Procedure, this will in
no way inhibit the ability of the Clearing House to make a Declaration of Default in relation to a
Clearing Member in accordance with the Rules.

Delivery Obligation Failure

9.4 A Clearing Member with a CLS or a Non-CLS Delivery Commitment who fails to perform all acts
required by this Procedure, or whose actions or inactions have been deemed a delivery
obligation failure shall be liable to the Clearing House for any loss sustained, which loss shall be
the aggregate of:

(a) The change, if any, from the Final Settlement Price on the last day of trading to the spot
rate on the first day on which the transaction could be consummated on the spot market,
as determined by the Clearing House. The spot market rate for the purposes of this
computation shall be the means of the spot rates between a group of London banks
selected for this purpose by the Clearing House at the earliest time it is determined the
transaction can be completed in the spot market;

(b) Any related charges suffered by the Clearing House at any of its designated banks; and
(c) A sum not to exceed 1% of the value of the Contract. Such amount shall be set by the Clearing House, except no such sum shall be assessed where a delivery obligation failure is occasioned by a Force Majeure Event.

9.5 **Fines Schedule**

**Submission of late Delivery Commitments**

Delivery Commitments submitted after 11:00 for Contracts expiring on a day one and after 10:00 for Contracts expiring on day two will incur a fine of USD$200 per Delivery Commitment. The references to day one and day two in this paragraph refer to the timeline set out in paragraph 4.3 of this Procedure.

**Submission of changes to Delivery Commitments**

USD$100 per Delivery Commitment in relation to which changes are submitted after 12:00 for all Contracts with the exception of Canadian Dollar and Turkish Lira Contracts.

USD$100 per Delivery Commitment in relation to which changes are submitted after 13:00 for Canadian Dollar and Turkish Lira Contracts.