CME CLEARING EUROPE LIMITED

CLEARING PROCEDURES
# Contents

<table>
<thead>
<tr>
<th>Clause</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Membership Procedure</td>
<td>2</td>
</tr>
<tr>
<td>Risk Management Procedure</td>
<td>11</td>
</tr>
<tr>
<td>Clearing and Settlement Procedure</td>
<td>18</td>
</tr>
<tr>
<td>Guarantee Funds Procedure</td>
<td>32</td>
</tr>
<tr>
<td>Delivery Procedures (Part A)</td>
<td>36</td>
</tr>
<tr>
<td>Delivery Procedures (Part B): UK Natural Gas</td>
<td>41</td>
</tr>
<tr>
<td>For Natural Gas flows</td>
<td>45</td>
</tr>
<tr>
<td>Delivery Procedures (Part C): Dutch Natural Gas</td>
<td>50</td>
</tr>
<tr>
<td>Complaints Procedure</td>
<td>59</td>
</tr>
<tr>
<td>FX Delivery Procedures</td>
<td>64</td>
</tr>
<tr>
<td>Fully Segregated Account Procedure</td>
<td>84</td>
</tr>
<tr>
<td>Options Contracts Procedure</td>
<td>95</td>
</tr>
</tbody>
</table>
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. Following this review, the Risk Committee 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 review will take place within six (6) weeks of receipt of the completed application.

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.

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Membership Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC Commodity Contracts</td>
<td>Standard Clearing Member</td>
</tr>
</tbody>
</table>
Exchange Contracts

OTC IRS Contracts

Standard Clearing Member

IRS Clearing Member

4.2 A Participating Clearing Firm is not permitted to clear Transactions until it has provided to the Clearing House its Contribution to the Standard Guarantee Fund or IRS Guarantee Fund as applicable.

5 Standard Accounts

5.1 Standard Clearing Members are required to open separate Standard Accounts in respect of Exchange Contracts and all other Standard Contracts.

6 Capital Requirements

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

6.2 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 Risk Committee and approved by the Clearing House.

6.3 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.

6.4 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 6.3 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.
6.5 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.

6.6 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 on-going basis according to the Credit Risk Policy to ensure that they continue to satisfy the relevant financial requirements and remain in good financial health.

7 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.

8 Contributions

8.1 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 monthly basis. The amount required initially and each month is notified to the Standard Clearing Member. The minimum Contribution for a Standard Clearing Member is USD 0.5 million for commodities, and USD 1.5 million for FX.

8.2 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.

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

9 Financial Reporting Requirements

9.1 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.
9.2 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.

9.3 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.

9.4 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.

10 Financial Statement Filings

10.1 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.

10.2 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.

10.3 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.

10.4 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.

11 Disaster Recovery and Business Continuity

11.1 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.

11.2 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.

11.3 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.

11.4 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.

12 IRS Membership Requirements

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

12.2 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. Primary responsibility for managing default events must reside within the IRS Clearing Member or one of its Affiliates that has been approved by the Clearing House.

13 Default Management Service Providers

13.1 A Default Management Service Provider appointed in accordance with Rule 3.2.3 and nominated as the Clearing Member’s primary Default Management Service Provider shall:

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

(b) participate in any relevant Default Management Committee(s) (where applicable);

(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 Default Management Overview Document (where applicable); and

(e) participate in any auction in which the Clearing Member is required to participate on behalf of the Clearing Member;

in each case, in accordance with the Rules and the Default Management Overview Document.

13.2 A Default Management Service Provider appointed by a Clearing Member and nominated as the secondary Default Management Service Provider shall be capable of performing each of the obligations set out in paragraph 13.1 and shall do so at any time if required by the Clearing House or the Clearing Member.

13.3 A Clearing Member which delegates the performance of the obligations set out in paragraph 13.1 of this Membership Procedure must submit to the Clearing House:

(a) details of the proposed Default Management Service Provider, including its regulatory status, evidence of its ability to provide the relevant services on behalf of both the Default
Management Service Provider and itself (if it is also a Clearing Member) and any other third party;

(b) final drafts of the agreements to be entered into between the Clearing Member and the proposed Default Management Service Provider in relation to the delegation pursuant to paragraph 13.1 of this Membership Procedure;

(c) any other information that the Clearing House may reasonably require from time to time.

13.4 The Clearing House shall consider the information provided to it pursuant to paragraph 13.3 and has absolute discretion whether to approve the appointment of a Default Management Service Provider.

13.5 A Clearing Member shall immediately notify the Clearing House in writing if the information provided to the Clearing House pursuant to paragraph 13.3 of these Membership Procedures materially changes following the approval of the appointment of a Default Management Service Provider.

A Clearing Member which delegates the obligations set out in paragraph 13.1 shall procure that the Default Management Service Provider and/or any individual that will participate in the relevant Default Management Committee(s) and/or the Active Default Management Committee(s) shall enter into such non-disclosure arrangements as required by the Clearing House.

14 Monitoring by the Clearing House

14.1 In accordance with Rule 3.6, the Clearing House will conduct periodic reviews of a Clearing Member’s compliance with the Clearing Rules, including the Membership Criteria. Rule 3.6 sets out the requirements on Clearing Members in relation to such reviews.

15 Notifications

15.1 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.

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

Recorded or special delivery airmail, or the nearest local equivalent in the jurisdiction of the sender

Six (6) Business Days after posting

15.2 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

Position 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. The Clearing Member may designate any of its Client Accounts as relating to indirect clients.

2.2 The Clearing House records the positions in each:

(a) Omnibus Client Account on a gross basis save that 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;

(b) Individual Client Account on a net, gross or selective basis at the Clearing Member’s choice; and

(c) House Account on a net, gross or selective basis at the Clearing Member’s choice.

2.3 Selective netting means that the Clearing Member may instruct the Clearing House to net certain positions within an Account each Business Day.

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

2.5 [Intentionally blank].

Margining

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

(a) for each gross Omnibus Client Account on a gross basis; and
for each net Omnibus Client Account, Individual Client Account and 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 (a net 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 (a gross 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 may request the Clearing
House to record such Collateral in an Omnibus Client Account identified as relating 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, the
Clearing Member may request the Clearing House to record Collateral relating to those Clients
in an Omnibus Client Account identified as relating to Clients whose cash it holds as non-client
money.

Unallocated House Buffer
2.16 Any Eligible Assets deposited with or delivered to the Clearing House by a Clearing Member in accordance with the Rules and in excess of a Collateral Requirement that relate to a House Account and in respect of which the Clearing House has not returned to the Clearing Member Equivalent Assets or other assets in accordance with the Rules (the **Unallocated House Buffer**) may, on the instructions or with the prior agreement of the relevant Clearing Member, be used to meet a Collateral Requirement on a Client Account of such Clearing Member at the next Settlement Cycle. In the event that the Clearing House issues a Declaration of Default in respect of the Clearing Member, the Clearing House may, but need not, in its absolute discretion, use any portion of the Unallocated House Buffer to determine the Portable Net Sum or the Single Net Sum in relation to any House Account or any Client Account or Notional Sub-Account of that Clearing Member as though such portion of Unallocated House Buffer were Collateral relating to that House Account, Client Account or Notional Sub-Account. In the event that the Clearing House does not otherwise use any portion of the Unallocated House Buffer, the Clearing House shall return such amount to the Defaulting Clearing Member.

**Account structure at Settlement Banks and Custodians**

2.17 The Clearing House may hold Eligible Cash and Eligible Securities in accounts in its name with a Settlement Bank or Custodian as follows:

- **House**;
- **Omnibus Client Account**: this may be divided between Client Money and Title Transfer Collateral Arrangement;
- **Individual Client Account**: this may be divided between Client Money and Title Transfer Collateral Arrangement;
- **Guarantee Fund – Interest Rate Swaps**; and
- **Guarantee Fund – Standard Contracts**.

**IRS netting process**

2.18 Notwithstanding paragraph 2.2 of the RMP, Contracts (or positions) recorded on IRS Individual Client Accounts and IRS Notional Sub-Accounts may be netted in any of the following ways:

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

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

(c) **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.
2.19 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.

2.20 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 set up 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; and

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

2.21 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.

2.22 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.

IRS dormant House Accounts

2.23 The Clearing House will set up for an IRS Clearing Member that does not clear IRS Contracts other than on behalf of Clients a dormant House Account in order that the IRS Clearing Member can participate in an auction pursuant to the Default Management Overview Document.

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.
5 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 (as set out on the Website) 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. Certain Contracts may require a particular currency of Eligible Cash to be provided as Variation Requirement and/or Margin Requirement as set out in the relevant Contract Specification. For the avoidance of doubt, such currencies will be Eligible Cash for the purposes of meeting the Variation Requirement and/or Margin Requirement for such Contracts as out in such Contract Specification, but unless the same currency is also listed on the Website as Eligible Cash, such currency will not be Eligible Cash for the purposes of any other payment by the Clearing Member unless otherwise specified by the Clearing House. Clearing Members are advised to confirm with their Settlement Bank that they are capable of making and receiving payments from their Bank Account in the currency required for Variation Requirement and/or Margin Requirement before entering into any Contract.

11.3 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.

11.4 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.

11.5 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.

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

(p) EOD Final Margin Accounts;

(q) IDY Final Margin Accounts;

(r) Position Adjustment By Firm;

(s) IDY Gross Position Change (PC) Listing;

(t) Cash Settlement Report;

(u) In-The-Money-Report;

(v) EOD Daily Trade And Position Register;

(w) IDY Daily Trade And Position Register;

(x) EOD Pay/Collect Summary;

(y) IDY Pay/Collect Summary;

(z) Variable Size Contracts Recap;

(aa) Option Exception Summary; and

(bb) Option Assignment Notice.
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 no 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>
<tr>
<td>Position Report</td>
<td>Daily report available circa 0100 GMT in FpML format.</td>
</tr>
<tr>
<td>Trade Registers</td>
<td>Daily report available circa 0100 GMT in excel format</td>
</tr>
<tr>
<td>IRS Risk Parameter File</td>
<td>Daily report available circa 0100 GMT</td>
</tr>
<tr>
<td>IRS Margin Data File</td>
<td>Daily report available circa 0200 GMT.</td>
</tr>
<tr>
<td>EOD reports for Collateral</td>
<td>Daily reports including Asset Inventory Trial Balance, Margin</td>
</tr>
<tr>
<td>Management and Settlement</td>
<td>Requirement, Variation Margin Requirement and Final Margin Accounts,</td>
</tr>
<tr>
<td>Banking</td>
<td>available circa 0530 GMT.</td>
</tr>
<tr>
<td>PAI Rate File</td>
<td>Daily report available circa 2000 GMT</td>
</tr>
<tr>
<td>CMECE Holiday Calendar</td>
<td>Daily report available circa 2000 GMT</td>
</tr>
<tr>
<td>Discount Factor Report</td>
<td>Daily report available circa 2130 GMT</td>
</tr>
<tr>
<td>Curve Input Report</td>
<td>Daily report available circa 2130 GMT</td>
</tr>
<tr>
<td>IRS Stress Test</td>
<td>Daily report available circa 1330 GMT T+1</td>
</tr>
</tbody>
</table>
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:

(i) USD 500,000 if the Standard Clearing Member only clears Contracts which have a commodity as the underlying asset;
(ii) USD 1.5 million if the Standard Clearing Member only clears Contracts which have a currency/currencies as the underlying asset (such Contracts can be either or both Exchange Contracts and Contracts which are not Exchange Contracts); or

(iii) USD 2 million if the Standard Clearing Member clears both Contracts which have a commodity as the underlying asset and Contracts which have a currency/currencies as the underlying asset.

(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 (Part A)

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.
Delivery Procedures (Part B): UK Natural Gas

1 Introduction

1.1 These UK Natural Gas Delivery Procedures describe the delivery mechanics in respect of physically deliverable UK Natural Gas Contracts as set out in the Contract Module for OTC Commodities and the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into such UK Natural Gas Contracts with the Clearing House.

1.2 Delivery is effected by transferring rights to natural gas in the National Transmission System through the process of making Trade Nominations through the Gemini system operated by National Grid, as set out in the Uniform Network Code, between the accounts of Clearing Members (or their appointed Gas Transferor / Gas Transferee) and the Clearing House.

2 Interpretation

2.1 Capitalised terms used within these UK Natural Gas Delivery Procedures shall have the meaning as defined in the Rules and the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, except that:

(a) Value Added Tax or VAT means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere.

3 Operating Times

3.1 UK Natural Gas Contracts can be accepted for clearing on any Business Day. UK Natural Gas Contracts that are Exchange Contracts can be traded in accordance with the Exchange Rules of CME Europe.

4 Licensing and appointment of Gas Transferor / Gas Transferee

4.1 The Clearing House is a Restricted User within the terms of the Uniform Network Code.

4.2 The Clearing Member shall be responsible for fulfilling the delivery requirements of every Contract that it has entered into. If it is so able, a Clearing Member may directly make the required Trade Nominations in order to fulfil delivery requirements (acting as Gas Transferor/Gas Transferee). Where a Clearing Member chooses not to make Trade Nominations, it must appoint a third party to act as Gas Transferor/Gas Transferee on its behalf. The Clearing Member shall notify the Clearing House of the appointment of each relevant Gas Transferor/Gas Transferee through submission of a completed Gas Transferor/Gas Transferee Notification Form (signed by an authorised signatory of the Clearing Member and the Gas
Transferor / Gas Transferee) to the Clearing House. A Clearing Member may appoint a different Gas Transferor/Gas Transferee in respect of any Account or Standard Notional Sub-Account, provided that only a single Gas Transferor/Gas Transferee may be appointed to effect the submission of Trade Nominations in respect of any single Contract.

4.3 The Clearing Member shall ensure that:

(a) it notifies the Clearing House of third parties acting as Gas Transferee/Gas Transferor relating to any Account or Standard Notional Sub-Account by submission to the Clearing House of a completed Gas Transferor/Gas Transferee Notification Form to clearingsupport@cmeclearingeurope.com by no later than 18.00 hours (London time) on the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate); and

(b) the Gas Transferee/Gas Transferor acknowledges its appointment no later than 18:00 hours (London time) on the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate) in writing by email to clearingsupport@cmeclearingeurope.com.

4.4 The Clearing Member is responsible for the accuracy of information provided in any Gas Transferor/Gas Transferee Notification Form and for ensuring that the person signing the Gas Transferor/Gas Transferee Notification Form on behalf of the Clearing Member and the Gas Transferor / Gas Transferee is authorised to do so.

4.5 Each Clearing Member shall ensure that any Gas Transferor/Gas Transferee (whether a Clearing Member acting as Gas Transferor / Gas Transferee or any Gas Transferor / Gas Transferee appointed by the Clearing Member, as appropriate) has the right to make Trade Nominations under the Uniform Network Code and has access to the UK Link system and shall ensure that the Gas Transferor / Gas Transferee will at all times comply with the terms of any applicable licence or registration it holds, the Uniform Network Code, and any other Applicable Law. Each Clearing Member, or any Gas Transferor/Gas Transferee appointed by the 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.

4.6 All payments relating to UK Natural Gas Contracts 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 or any person appointed as Gas Transferor / Gas Transferee by the Clearing Member. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to UK Natural Gas Contracts.
4.7 Unless a third party is appointed by a Clearing Member to act as Gas Transferor / Gas Transferee, the Clearing House will deliver natural gas under any Contract to, and will receive the delivery of natural gas from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Gas Transferee or Gas Transferor (as the case may be, and in each case as agent for the Clearing Member) notified by the Clearing Member to the Clearing House in accordance with these Delivery Procedures.

4.8 For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of UK Natural Gas Contracts including completion of its delivery, payment and other obligations under the Rules and also the delivery obligations of any Gas Transferor/Gas Transferee appointed by the Clearing Member.

5 Delivery Process

5.1 Delivery under UK Natural Gas Contracts is effected by the transfer of rights to natural gas in accordance with the terms of that Contract through the process of making Trade Nominations such that the seller of natural gas makes a Disposing Trade Nomination that corresponds to an Acquiring Trade Nomination made by the Clearing House, and the buyer of natural gas makes an Acquiring Trade Nomination that corresponds to a Disposing Trade Nomination made by the Clearing House. Trade Nominations must be made through the Gemini system (part of the UK Link system operated by National Grid).

5.2 Payment of cash in respect of the delivery of natural gas shall be made in accordance with paragraphs 6.7 to 6.7 below and does not occur concurrently with the delivery of natural gas.

5.3 The detailed delivery timings are set out in paragraph 6 below and are subject to any amendment to the operational arrangements of the Uniform Network Code. The Clearing House shall notify Clearing Members of any such amendments which may have a material impact on the operation of UK Natural Gas Contracts and where such amendments are known to the Clearing House.

5.4 Subject to paragraph 8 below, offsetting positions for any Account or Standard Notional Sub-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 any Client Account.

6 Delivery Timings

6.1 The Clearing Member must finalise the account assignment of Contracts and notify the Clearing House no later than 17:00 hours (London time) on the last trading day of the Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The Clearing Member must provide information on the Gas Transferor
/ Gas Transferee for each relevant account by 18:00 hours (London time) on the last trading day of the Contract to the Clearing House if it has not already done so.

6.2 The Clearing House will calculate the net delivery requirements for each account during its overnight system processing operations. The Clearing House shall provide a report to each Clearing Member detailing delivery obligations for each of the relevant Accounts and sub-accounts of that Clearing Member as soon as reasonably practicable after 08:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The report shall describe net flows of cash and natural gas relating to UK Natural Gas Contracts of the Clearing Member for each relevant Account and sub-account.

6.3 The Clearing Member shall acknowledge receipt and confirm delivery requirements by 12:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). Any perceived inaccuracies in the delivery requirements should be notified to the Clearing House by the Clearing Member by this time. Confirmation of the delivery requirements must be provided by the Clearing Member by email to clearingsupport@cmeclearingeurope.com.

6.4 The Clearing House may appoint a Gas Delivery Agent to facilitate its processing of delivery instructions. Where the Clearing House has appointed a Gas Delivery Agent, the gas delivery requirements shall be provided by the Clearing House to the Gas Delivery Agent by 15:00 hours (London time) on the day following the last trading day of the relevant UK Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate).

6.5 The Gas Delivery Agent, on behalf of the Clearing House, shall submit delivery instructions to the Gemini System operated by the National Grid by 20:00 hours (London time) on the day prior to each Gas Flow Day in the delivery period.

6.6 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit delivery instructions to the Gemini system operated by the National Grid by 06:00 hours (London time) on each Gas Flow Day in the delivery period.

For cash flows

6.7 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 by no later than 10:00 hours (London time) on the second Banking Day following the Gas Delivery Day. Payment to the Clearing House shall occur as part of the Settlement Cycle. A Clearing Member may fulfil its payment obligation at an earlier date.
6.8 For Clearing Members with a net requirement to receive cash from the Clearing House:

(a) the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member as part of the Settlement Cycle;

(b) where such Clearing Member also has a net requirement to deliver natural gas to the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, provided that the Clearing Member has fulfilled its natural gas delivery requirements; and

(c) payment to the Clearing Member shall occur by no later than 10:00 hours (London time) on the second Banking Day following the Gas Delivery Day.

6.9 In the case where a Clearing Member with a net requirement to receive cash and a net requirement to deliver natural gas has not fulfilled its natural gas delivery requirements, the Clearing House shall only pay an amount of cash that reflects, as determined by the Clearing House in its absolute discretion, the proportion of the natural gas delivery requirement that has been fulfilled.

For Natural Gas flows

6.10 A Clearing Member with a net requirement to deliver natural gas to the Clearing House shall ensure that Disposing Trade Nominations shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant UK Natural Gas Contract) by 06:00 hours (London time) on the Gas Flow Day.

6.11 A Clearing Member with a net requirement to receive natural gas from the Clearing House shall ensure that Acquiring Trade Nominations shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant UK Natural Gas Contract) by 06:00 hours (London time) on the Gas Flow Day.

6.12 The Clearing House shall ensure that its Disposing Trade Nominations and Acquiring Trade Nominations shall be submitted to the Gemini system and accepted by National Grid in respect of each Gas Flow Day in the contract delivery period (as specified in the relevant UK Natural Gas Contract) by 20:00 hours (London time) on the day prior to each Gas Flow Day in the delivery period.

6.13 Where instructions are complete and matched by the National Grid, and are not reversed by National Grid, the deliveries in respect of each Gas Flow Day will be deemed complete by 06:00 hours (London time) on the day following the relevant Gas Flow Day and may not be reversed.
7 Failure to Deliver

7.1 Where the Clearing Member fails to fulfill its gas delivery requirements under any UK Natural Gas Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 Where the Clearing House suffers a Daily Imbalance within the National Transmission System as a result of:

(a) the failure of a Clearing Member to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations in accordance with Section C5 of the Transportation Principal Document within the Uniform Network Code; or

(b) any other actions or inactions of any Clearing Member (which shall include the actions or inactions of any Gas Transferor/Gas Transferee appointed by that Clearing Member),

the Clearing Member shall make a compensation payment to the Clearing House for the full amount of any Balancing Charges and any other associated costs imposed on the Clearing House by National Grid relating to the failure of that Clearing Member to deliver in accordance with the relevant UK Natural Gas Contract and these Delivery Procedures. For the avoidance of doubt, any compensation payment may represent a pro rata amount allocated to the Clearing Member by the Clearing House in respect of overall charges and costs imposed by National Grid on the Clearing House in respect of the Daily Imbalance of the Clearing House. This compensation payment shall be payable in accordance with paragraph 7.5 below and shall be made on or before the 20th calendar day of the calendar month following the contract month (as specified in the relevant UK Natural Gas Contract), or if such day is not a Banking Day, on the first preceding Banking Day.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House reserves the right to take such action as necessary to rectify any Daily Imbalance that it may suffer or to avoid the occurrence of a Daily Imbalance due to the failure of a Clearing Member to fulfil its gas delivery requirements, including without limitation:

(a) if the Clearing Member is a Delivery Seller, the Clearing House may acquire rights in natural gas from any person in order to reduce or extinguish any liability it may incur or suffer under the Uniform Network Code as a result of the Clearing Member’s failure to perform its gas delivery requirements;

(b) if the Clearing Member is a Delivery Buyer, the Clearing House may sell rights in natural gas to any person in order to reduce or extinguish any liability it may incur or suffer under
the Uniform Network Code as a result of the Clearing Member’s failure to perform its gas delivery requirements.

In addition to any compensation payment payable under paragraph 7.2 above, the Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, express or implied, incurred by the Clearing House in taking any such actions due to the failure of the Clearing Member to fulfil its obligations. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House’s internal expenses in relation to the management or avoidance of a Daily Imbalance arising from the actions or inactions of the Clearing Member or its agent. Such additional costs will be allocated pro rata by the Clearing House between each Clearing Member which failed to fulfil its delivery obligations and which required the Clearing House to take the relevant actions.

7.4 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 7.2 and 7.3 above, the Clearing House may liaise with Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these UK Natural Gas Delivery Procedures or the CME Europe Contract Module for Energy, as appropriate. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed delivery.

7.5 In the circumstances set out in paragraph 7.2 and 7.3, the Clearing House shall invoice each Clearing Member and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

8 Early Close-out Prior to Delivery Day

8.1 Where the Clearing Member wishes to enter into a Transaction to close out an OTC UK Natural Gas Contract prior to its delivery date, the Clearing Member shall enter into an opposing Transaction at the same transaction price as the original Transaction. Where such a price does not represent a fair market value for the Transaction at the time of the new opposing Transaction, an additional cash payment obligation (representing the difference between the price of the opposing Transaction and the fair market value) will arise between the Clearing Member closing out and the other Clearing Member to such offsetting Transaction.

8.2 To ensure the early close out of an OTC UK Natural Gas Contract, the Clearing Member shall make a request to the Clearing House that, subject to paragraph 8.5 or 8.6 below, the OTC UK Natural Gas Contract is closed out at the time the offsetting Transaction is accepted for clearing and shall provide the following information to the Clearing House:
(a) the Account and sub-account in which the resulting Contract should be been placed (the offsetting Transaction must be in respect of the same Account and sub-account as the existing Contract);

(b) the transaction identifiers for the original Transaction and the offsetting Transaction;

(c) the number of UK Natural Gas Contracts 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 Clearing Members entering into the offsetting Transactions.

8.3 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone on 020 3379 3100 to confirm instructions.

8.4 Where an additional cash payment is required, such payment shall be made through the Clearing House Settlement Cycle.

8.5 If the cash payment is to be included in the Clearing House Settlement Cycle, the Clearing House shall confirm payment details with both Clearing Members. The relevant OTC UK Natural Gas Contract will be closed out once the cash payment has been made within the Settlement Cycle.

8.6 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 to the other Clearing Member. The relevant OTC UK Natural Gas Contract will be closed out once the receipt of cash payment has been verified by the Clearing House.

9 Value Added Tax

9.1 Value Added Tax may be payable on natural gas deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be paid simultaneously with the payment of the Delivery Value.

9.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under a UK Natural Gas Contract as eligible for zero rating for the purposes of UK VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.

9.3 Physically deliverable UK Natural Gas Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of
natural gas under a physically deliverable UK Natural Gas Contract and any such other taxes or duties shall be borne by the Delivery Buyer.

9.4 As described in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate, Clearing Members must provide the Clearing House with their UK VAT registration details prior to entering into UK Natural Gas Contracts.

9.5 For tax accounting purposes, VAT is to be accounted for on gross transactions.

9.6 The Clearing House shall provide a VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Buyer. The Clearing House shall provide this VAT Invoice on a monthly basis.

9.7 Where amounts of VAT are or may be chargeable in respect of a supply under a UK Natural Gas Contract, Clearing Members are requested to enter into a VAT self-billing agreement with the Clearing House. For Clearing Members that have entered into such an agreement, the Clearing House shall provide a Self-Billing VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Seller. The Clearing House shall provide this Self-Billing VAT Invoice on a monthly basis.

9.8 For Clearing Members that have not entered into a VAT self-billing agreement, the Clearing Member is required to provide the Clearing House with a VAT Invoice specifying details for the gross transactions for which the Clearing Member was a Delivery Seller and the Clearing House was the Delivery Buyer. This VAT Invoice must be provided on a monthly basis.
Delivery Procedures (Part C): Dutch Natural Gas

1 Introduction

1.1 These Dutch Natural Gas Delivery Procedures describe the delivery mechanics in respect of physically deliverable Dutch Natural Gas Contracts as set out in the Contract Module for OTC Commodities and the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into Dutch Natural Gas Contracts with the Clearing House.

1.2 Delivery is effected by transferring rights to natural gas in the National Gas Transmission System through the process of making Trade Nominations through the Edig@s system operated by GTS, as set out in the GTS Rules, between the accounts of Clearing Members (or their appointed Gas Transferor / Gas Transferee) and the Clearing House.

2 Interpretation

2.1 Capitalised terms used within these Dutch Natural Gas Delivery Procedures shall have the meaning as defined in the Rules and the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy (as applicable).

(a) Value Added Tax or VAT means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere.

3 Operating Times

3.1 Dutch Natural Gas Contracts can be accepted for clearing on any Business Day. Dutch Natural Gas Contracts that are Exchange Contracts can be traded in accordance with the Exchange Rules of CME Europe.

4 Licensing and appointment of Gas Transferor / Gas Transferee

4.1 The Clearing House is licensed with GTS with Licence LA as a shipper of natural gas in the Netherlands within the terms of the GTS Rules.

4.2 Each Clearing Member must be licensed as a shipper within the terms of the GTS Rules.

4.3 The Clearing Member shall be responsible for fulfilling the delivery requirements of every Contract that it has entered into. If it is so able, a Clearing Member may directly make the required Trade Nominations in order to fulfil delivery requirements (acting as Gas Transferor/Gas Transferee). Where a Clearing Member chooses not to make Trade Nominations, it must appoint a third party to act as Gas Transferor/Gas Transferee on its behalf.
The Clearing Member shall notify the Clearing House of the appointment of each relevant Gas Transferor/Gas Transferee through submission of a completed Gas Transferor/Gas Transferee Notification Form (signed by an authorised signatory of the Clearing Member and the Gas Transferor / Gas Transferee) to the Clearing House. A Clearing Member may appoint a different Gas Transferor/Gas Transferee in respect of any Account or Standard Notional Sub-Account, provided that only a single Gas Transferor/Gas Transferee may be appointed to effect the submission of Trade Nominations in respect of any single Contract.

4.4 The Clearing Member shall ensure that:

(a) it notifies the Clearing House of third parties acting as Gas Transferee/Gas Transferor relating to any Account or Standard Notional Sub-Account by submission to the Clearing House of a completed Gas Transferor/Gas Transferee Notification Form to clearingsupport@cmeclearingeurope.com by no later than 18:00 hours (London time) (19.00 hours CET) on the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate); and

(b) the Gas Transferee/Gas Transferor acknowledges its appointment no later than 18:00 hours (London time) (19.00 hours CET) on the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate) in writing by email to clearingsupport@cmeclearingeurope.com.

4.5 The Clearing Member is responsible for the accuracy of information provided in any Gas Transferor/Gas Transferee Notification Form and for ensuring that the person signing the Gas Transferor/Gas Transferee Notification Form on behalf of the Clearing Member and the Gas Transferor / Gas Transferee is authorised to do so.

4.6 Each Clearing Member shall ensure that any Gas Transferor/Gas Transferee (whether a Clearing Member acting as Gas Transferor / Gas Transferee or any Gas Transferor / Gas Transferee appointed by the Clearing Member (as appropriate)) has the right to make Trade Nominations under the GTS Rules and has access to the Edig@s system. Each Clearing Member shall ensure that the Gas Transferor / Gas Transferee meets the conditions on electronic messaging and expertise and care set out in clause 3.2.0(b) and 3.2.0(c) of the Transportation Conditions Gas. Each Clearing Member, or any Gas Transferor/Gas Transferee appointed by the 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.
All payments relating to Dutch Natural Gas Contracts 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 or any person appointed as Gas Transferor / Gas Transferee by the Clearing Member. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to Dutch Natural Gas Contracts.

Unless a third party is appointed by a Clearing Member to act as Gas Transferor / Gas Transferee, the Clearing House will deliver natural gas under any Contract to, and will receive the delivery of natural gas from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Gas Transferee or Gas Transferor (as the case may be, and in each case as agent for the Clearing Member) notified by the Clearing Member to the Clearing House in accordance with these Delivery Procedures.

For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of Dutch Natural Gas Contracts including completion of its delivery, payment and other obligations under the Rules and also the delivery obligations of any Gas Transferor/Gas Transferee appointed by the Clearing Member.

Delivery Process

Delivery under Dutch Natural Gas Contracts is effected by the transfer of rights to natural gas in accordance with the terms of that Contract through the process of making Trade Nominations such that the seller of natural gas makes a Disposing Trade Nomination that corresponds to an Acquiring Trade Nomination made by the Clearing House, and the buyer of natural gas makes an Acquiring Trade Nomination that corresponds to a Disposing Trade Nomination made by the Clearing House. Trade Nominations must be made through the Edig@s system operated by GTS.

Payment of cash in respect of the delivery of natural gas shall be made in accordance with paragraphs 6.7 to 6.7 below and does not occur concurrently with the delivery of natural gas.

The detailed delivery timings are set out in paragraph 6 below and are subject to any amendment to the operational arrangements of the GTS Rules. The Clearing House shall notify Clearing Members of any such amendments which may have a material impact on the operation of Dutch Natural Gas Contracts and where such amendments are known to the Clearing House.

Subject to paragraph 8 below, offsetting positions for any Account or Standard Notional Sub-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 any Client Account.
6 Delivery Timings

6.1 The Clearing Member must finalise the account assignment of Contracts and notify the Clearing House no later than 17:00 hours (London time) (18:00 hours CET) on the last trading day of the Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The Clearing Member must provide information on the Gas Transferor / Gas Transferee for each relevant account by 18:00 hours (London time) (19:00 hours CET) on the last trading day of the Contract to the Clearing House if not already done so.

6.2 The Clearing House will calculate the net delivery requirements for each account during its overnight system processing operations. The Clearing House shall provide a report to each Clearing Member detailing delivery obligations for each of the relevant Accounts and sub-accounts of that Clearing Member as soon as reasonably practicable after 08:00 hours (London time) (09:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). The report shall describe net flows of cash and natural gas relating to Dutch Natural Gas Contracts of the Clearing Member for each relevant Account and sub-account.

6.3 The Clearing Member shall acknowledge receipt and confirm delivery requirements by 12:00 hours (London time) (13:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate). Any perceived inaccuracies in the delivery requirements should be notified to the Clearing House by the Clearing Member by this time. Confirmation of the delivery requirements must be provided by the Clearing Member by email to clearingsupport@cmeclearingeurope.com.

6.4 Where the Clearing House has appointed a Gas Delivery Agent, the gas delivery requirements forming the programme responsibility for the Clearing House under the GTS Rules shall be provided by the Gas Delivery Agent to GTS by no later than 13:00 hours (London time) (14:00 hours CET) on the day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate).

6.5 The Gas Delivery Agent, on behalf of the Clearing House, shall aim to submit Trade Nominations to the Edig@s System operated by GTS by 18:00 hours (London time) (19:00 hours CET) on the day prior to each Gas Delivery Day in the delivery period.

6.6 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit the gas delivery requirements forming the programme responsibility for the Clearing Member under the GTS Rules to GTS by no later than 13:00 hours (London time) (14:00 hours CET) on the
day following the last trading day of the relevant Dutch Natural Gas Contract (as specified in the Contract Module for OTC Commodities).

6.7 The Clearing Member (or its Gas Transferor / Gas Transferee as applicable) must submit Trade Nominations to the Edig@s system operated by GTS by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day in the delivery period. All Trade Nominations in respect of deliveries of natural gas must be matched by no later than 2 hours prior to the start of the Gas Delivery Day.

For cash flows

6.8 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 by no later than 10:00 hours (London time) (11:00 hours CET) on the second Banking Day following the Gas Delivery Day. Payment to the Clearing House shall occur as part of the Settlement Cycle. A Clearing Member may fulfil its payment obligation at an earlier date.

6.9 For Clearing Members with a net requirement to receive cash from the Clearing House:

(a) the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member as part of the Settlement Cycle;

(b) where such Clearing Member also has a net requirement to deliver natural gas to the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, provided that the Clearing Member has fulfilled its natural gas delivery requirements; and

(c) payment to the Clearing Member shall occur by no later than 10:00 hours (London time) (11:00 hours CET) on the second Banking Day following the Gas Delivery Day.

6.10 In the case where a Clearing Member with a net requirement to receive cash and a net requirement to deliver natural gas has not fulfilled its natural gas delivery requirements, the Clearing House shall only pay an amount of cash that reflects, as determined by the Clearing House in its absolute discretion, the proportion of the natural gas delivery requirement that has been fulfilled.

For Natural Gas flows

6.11 A Clearing Member with a net requirement to deliver natural gas to the Clearing House shall ensure that Disposing Trade Nominations shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant Dutch Natural Gas Contract) by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day.
6.12 A Clearing Member with a net requirement to receive natural gas from the Clearing House shall ensure that Acquiring Trade Nominations shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Day in the contract delivery period on which a delivery is required to be made (as specified in the relevant Dutch Natural Gas Contract) by 15:30 hours (London time) (16:30 hours CET) on the day before each Gas Delivery Day.

6.13 The Clearing House shall ensure that its Disposing Trade Nominations and Acquiring Trade Nominations shall be submitted to the Edig@s system and accepted by GTS in respect of each Gas Delivery Hour in the contract month (as specified in the relevant Dutch Natural Gas Contract) by no later than 30 minutes prior to the Gas Delivery Hour at the very latest.

6.14 Where delivery instructions and Trade Nominations are complete and matched by GTS and a confirmation is provided by GTS to the relevant parties under the GTS Rules, the relevant deliveries will be deemed complete and may not be reversed.

7 Failure to Deliver

7.1 Where the Clearing Member fails to fulfil its gas delivery requirements under any Dutch Natural Gas Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 Where the Clearing House suffers an imbalance in any Gas Delivery Hour or Gas Delivery Day within the National Gas Transmission System as a result of:

(a) the failure of a Clearing Member to ensure the accurate, complete and timely submission of Disposing Trade Nominations or Acquiring Trade Nominations in accordance with the GTS Rules; or

(b) any other actions or inactions of any Clearing Member (which shall include the actions or inactions of any Gas Transferor/Gas Transferee appointed by that Clearing Member),

the Clearing Member shall make a compensation payment to the Clearing House for the full amount of any balancing charges and any other associated costs imposed on the Clearing House by GTS relating to the failure of that Clearing Member to deliver in accordance with the relevant Dutch Natural Gas Contract and these Delivery Procedures. For the avoidance of doubt, any compensation payment may represent a pro rata amount allocated to the Clearing Member by the Clearing House in respect of overall charges and costs imposed by GTS on the Clearing House in respect of the imbalance of the Clearing House. This compensation payment shall be payable in accordance with paragraph 7.5 below and shall be made on or before the 14th calendar day of the calendar month following the contract month (as specified in the
relevant Dutch Natural Gas Contract), or if such day is not a Banking Day, on the first preceding Banking Day.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House reserves the right to take such action as necessary to rectify any imbalance that it may suffer or to avoid the occurrence of an imbalance due to the failure of a Clearing Member to fulfil its gas delivery requirements in relation to any Gas Delivery Hour or Gas Delivery Day, including without limitation:

(a) if the Clearing Member is a Delivery Seller, the Clearing House may acquire rights in natural gas from any person in order to reduce or extinguish any liability it may incur or suffer under the GTS Rules as a result of the Clearing Member’s failure to perform its gas delivery requirements;

(b) if the Clearing Member is a Delivery Buyer, the Clearing House may sell rights in natural gas to any person in order to reduce or extinguish any liability it may incur or suffer under the GTS Rules as a result of the Clearing Member’s failure to perform its gas delivery requirements.

In addition to any compensation payment payable under paragraph 7.2 above, the Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, express or implied, incurred by the Clearing House in taking any such actions due to the failure of the Clearing Member to fulfil its obligations. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House’s internal expenses in relation to the management or avoidance of a Daily Imbalance arising from the actions or inactions of the Clearing Member or its agent. Such additional costs will be allocated pro rata by the Clearing House between each Clearing Member which failed to fulfil its delivery obligations and which required the Clearing House to take the relevant actions.

7.4 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 7.2 and 7.3 above, the Clearing House may liaise with Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these Dutch Natural Gas Delivery Procedures. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed delivery.

7.5 In the circumstances set out in paragraph 7.2 and 7.3, the Clearing House shall invoice each Clearing Member and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.
8 Early Close-out Prior to Delivery Day

8.1 Where the Clearing Member wishes to enter into a Transaction to close out an OTC Dutch Natural Gas Contract prior to its delivery date, the Clearing Member shall enter into an opposing Transaction, at the same transaction price as the original Transaction. Where such a price does not represent a fair market value for the Transaction at the time of the new opposing Transaction, an additional cash payment obligation (representing the difference between the price of the opposing Transaction and the fair market value) will arise between the Clearing Member closing out and the other Clearing Member to such offsetting Transaction.

8.2 To ensure the early close out of an OTC Dutch Natural Gas Contract, the Clearing Member shall make a request to the Clearing House that, subject to paragraph 8.5 or 8.6 below, the OTC Dutch Natural Gas Contract is closed out at the time the offsetting Transaction is accepted for clearing and shall provide the following information to the Clearing House:

(a) the Account and sub-account in which the resulting Contract should be placed (the offsetting Transaction must be in respect of the same Account and sub-account as the existing Contract);

(b) the transaction identifiers for the original Transaction and the offsetting Transaction;

(c) the number of Dutch Natural Gas Contracts 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 Clearing Members entering into the offsetting Transactions.

8.3 Such information should be provided in writing by email to clearingsupport@cmeclearingeurope.com. Clearing Members should in addition contact the Clearing House by telephone on 020 3379 3100 to confirm instructions.

8.4 Where an additional cash payment is required, such payment shall be made through the Clearing House Settlement Cycle.

8.5 If the cash payment is to be included in the Clearing House Settlement Cycle, the Clearing House shall confirm payment details with both Clearing Members. The relevant OTC Dutch Natural Gas Contract will be closed out once the cash payment has been made within the Settlement Cycle.

8.6 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 to the other Clearing Member. The relevant OTC Dutch Natural Gas
Contract will be closed out once the receipt of cash payment has been verified by the Clearing House.

9 **Value Added Tax**

9.1 Value Added Tax may be payable on natural gas deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be paid simultaneously with the payment of the Delivery Value.

9.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under a Dutch Natural Gas Contract as eligible for zero rating for the purposes of UK VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.

9.3 Physically deliverable Dutch Natural Gas Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of natural gas under a physically deliverable Dutch Natural Gas Contract and any such other taxes or duties shall be borne by the Delivery Buyer.

9.4 As described in the Contract Module for OTC Commodities or the CME Europe Contract Module for Energy, as appropriate, Clearing Members must provide the Clearing House with their UK VAT registration details prior to entering into Dutch Natural Gas Contracts.

9.5 For tax accounting purposes, VAT is to be accounted for on gross transactions.

9.6 The Clearing House shall provide a VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Buyer. The Clearing House shall provide this VAT Invoice on a monthly basis.

9.7 Where amounts of VAT are or may be chargeable in respect of a supply under a Dutch Natural Gas Contract, Clearing Members are requested to enter into a VAT self-billing agreement with the Clearing House. For Clearing Members that have entered into such an agreement, the Clearing House shall provide a Self-Billing VAT Invoice to each Clearing Member specifying details for the gross transactions for which the Clearing Member was a Delivery Seller. The Clearing House shall provide this Self-Billing VAT Invoice on a monthly basis.

9.8 For Clearing Members that have not entered into a VAT self-billing agreement, the Clearing Member is required to provide the Clearing House with a VAT Invoice specifying details for the gross transactions for which the Clearing Member was a Delivery Seller and the Clearing House was the Delivery Buyer. This VAT Invoice must be provided on a monthly basis.
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 CEO 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

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

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.

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

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.

Independent Investigator’s procedure for dealing with the Complaint

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.

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.
FX Delivery Procedures

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:

CLS means Continuous Linked Settlement;

CLS Eligible means a Product identified as eligible for CLS Settlement;

CLS Instruction means an instruction given by the Clearing Member or a CLS member through which the Clearing Member is accessing a CLS Account in accordance with the rules of the CLS System;

CLS Settlement means physical delivery through the CLS System;

Daily Settlement Price means the price at which the Exchange establishes 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 Instructions has the meaning given in paragraph 5.19 of this FX Delivery Procedure;

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

Final Settlement Price means (i) in relation to an Exchange Contract 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 and (ii) in relation to Contracts which are not Exchange Contracts, the price established by the method set out in the Contract Specification 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;
PCS means a position change sheet which identifies gross and net positions of a Clearing Member relating to Exchange Traded Contracts; 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 this FX Delivery Procedure and the Clearing House Rules.

4 Timelines 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 Non-CLS Delivery Commitments into the Deliveries System and send CLS Instructions.
16:00 Last trade date/time for contract with final settlement prices made available in the Deliveries System and as a Notice shortly afterwards (approx. 20 mins).

Variation Requirement for final trading day delivered from, or to, the Clearing Member to, or from, the Clearing House to settle the last day's movement in price.

17:00 Delivery Commitments must be submitted by Clearing Members into the Deliveries System.

1. Contracts should not be netted across Accounts.

2. Concurrent long and short positions within an Account should not be offset.

3. Clearing Members must verify all payment instructions.

17:15 PCS submissions should be made by 17:15 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 Non-CLS Delivery Commitments, enter OTHER Non-CLS Delivery Commitments and finish sending CLS Instructions. In addition, all wire transfers where settlement date -1 payment has been specified in Appendix 2 are due in the relevant account at the relevant Agent Bank.

06:30 Final Settlement Prices for Turkish Lira and Euro/Turkish Lira Contracts are made available in the Deliveries System and as a Notice.

Any changes to Delivery Commitments entered, will need to be approved by the Clearing House before 19:00 to be accepted into the Deliveries System.

16:30 Final Settlement Price for Canadian Dollar Contracts made available in the Deliveries System and as a Notice.

17:00 Delivery Commitments for Canadian Dollar, Turkish Lira and Euro/Turkish Lira Contracts must be submitted by the Clearing Member into the Deliveries System.

1. Contracts must not be netted across Accounts.

2. Concurrent long and short positions within an Account should not be offset.

3. Clearing Members must verify all payment instructions.
Wire transfers are due in the relevant account at the relevant Agent Bank. (See Appendix 2 for settlement date -1 payment deadlines.)

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 CLS Bank. On this day for non-CLS settled Contracts, Clearing Members should send payments to the 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 relevant account at the Agent Bank by 10:00 local time in the currency country of origin. The Clearing House will provide a complete list of the relevant accounts at each Agent Bank 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 relevant account at the relevant Agent Bank.

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 versus payment basis.

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 section 6 (Non-CLS Physical Delivery Arrangements) of this FX Delivery Procedure at the Clearing House’s direction. Where this is the case the Clearing Members must inform the Clearing House 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 A Clearing Member which intends to use the CLS System, shall ensure it has a CLS Account to allow the Clearing Member to effect CLS Settlement. Clearing Members should note that this procedure can take a number of weeks.

5.4 The Final Settlement Price must be used when entering CLS Instructions.
5.5 Each Clearing Member that enters into FX Contracts that are CLS Eligible and which it intends to settle shall, at least twice per calendar year, confirm to the Clearing House its net capacity to deliver and receive each currency through the CLS System in respect of which it is party to an FX Contract or in respect of which it reasonably believes it might be party within the six months subsequent to the date of confirmation. A Clearing Member may request changes to its thresholds more frequently, however, increases to threshold levels will only be actionable for delivery cycle following the front month delivery contracts. The capacities provided may be based on the Clearing Member’s average net positions in each relevant currency over the preceding twelve months or such other measurements as the Clearing Member considers to be a reasonable indicator of its capacity to deliver and comfortably within a Clearing Member’s ability to absorb a same-day, unexpected liquidity shortfall in delivery of that currency in the event of an unexpected delivery failure in the following six months. Unless otherwise agreed, such confirmation shall be provided and signed by a member of the Clearing Member’s treasury function who is authorised to provide such confirmation and shall set out any assumptions that the Clearing Member has made in determining such capacities. Each such Clearing Member must be capable of providing evidence to support the capacities set out in its confirmation, which may (where appropriate) include information from CLS Bank or the CLS member it uses to settle FX Contracts, and shall promptly provide such evidence to the Clearing House on request.

5.6 In the event a Clearing Member enters into an FX Contract [that is CLS Eligible] and which it intends to settle or is party to an FX Contract that it did not intend to settle but in respect of which its intention changes, in either case in respect of a Contract for which it has not provided its liquidity capacity within the preceding six months, the Clearing Member shall promptly do so in accordance with paragraph 5.5.

5.7 The Clearing Member shall promptly notify the Clearing House in the event of a reduction in the capacity to deliver or receive any currency as set out in the confirmation most recently provided to the Clearing House. The Clearing Member shall notify the Clearing House in the event of a material increase in the capacity to deliver or receive any currency as set out in the confirmation most recently provided to the Clearing House.

5.8 The Clearing House shall set thresholds on the amounts of each relevant currency on a gross basis which a Clearing Member may deliver or receive through the CLS System in relation to FX Contracts, which may be based on the information provided pursuant to paragraphs 5.5 to 5.7. The Clearing House may update the applicable thresholds at any time, including in response to a confirmation or notification received pursuant to paragraphs 5.5 to 5.7. Additionally, the Clearing House shall determine overall pay-in settlement thresholds in relation to FX Contracts which are based on the aggregate capacity of Clearing Members to receive such FX Contract as set out in the Clearing House’s concentration risk policy.

CLS deliveries
5.9 Where a Contract Specification specifies that it is CLS Eligible delivery shall be by transfer between the CLS Accounts of two Clearing Members (including where the Clearing Members CLS Accounts are held with the same CLS member) as directed by the Clearing House in accordance with this FX Delivery Procedure and, subject to paragraph 5.19 below, follow the requirements set out in this section 5.

5.10 No later than 17:00 on the 5th Business Day prior to expiry of the Contract, each Clearing Member must tender to the Clearing House a notice of intention to settle an Exchange Contract through the CLS System, together with confirmation of which CLS member it intends to use for such delivery and any overall limit on its ability to settle foreign exchange with that CLS member. If a Clearing Member does not provide the Clearing House with such information, the Clearing House shall be entitled to require the Clearing Member to reduce the value of any or all of its FX Contracts. For each of the remaining days until expiry, the Clearing Member shall update its settlement intentions, where relevant.

5.11 Following receipt of the notice, and for the purposes of providing transparency ahead of the delivery cycle, the Clearing House shall perform an indicative assignment process based on the closing prices on the Exchange on each of the seven days preceding the expiry day. On each such day, the Clearing House shall provide each Clearing Member, which it believes will have a delivery obligation, with an indication of the amount of the relevant currency for an individual settlement transaction which it may be required to settle with each other Clearing Member based on the assignment results and the relevant positions at that point in time. The Clearing House shall only be required to share such information with the Clearing Member where an individual settlement transaction exceeds the equivalent of US$100 (one hundred) million or other amount as determined in consultation with the Clearing Members from time to time. The counterparties to such indicative settlement transactions will be shared on an anonymous basis only.

5.12 From the Thursday evening preceding expiry of the Contract, the Clearing House shall provide each Clearing Member which it believes will have a delivery obligation with an indication of the aggregate amount of the relevant currency which it may be required to settle with each other Clearing Member based on the assignment algorithm and the relevant positions at that point in time. Such aggregate amount will be based on the closing positions on the Exchange on such Thursday evening but shall be converted into and expressed in US$. The Clearing House shall only be required to share information of such aggregate exposure with the Clearing Member where the total amount of currency to be delivered to that counterparty exceeds the equivalent of US$100 (one hundred) million. The process set out in this paragraph 5.12 shall be repeated based on the closing positions on the Exchange on the Friday evening preceding expiry of the Contract.

5.13 From the Thursday evening preceding expiry of the Contract, the Clearing House shall provide each Clearing Member which it believes will have a delivery obligation with notification of any
currencies in respect of which the applicable delivery or receipt threshold will be exceeded if the Clearing Member proceeds to settlement without taking mitigating measures.

5.14 No later than 17:00 on the second Business Day preceding the intended day of delivery:

(a) in respect of each Clearing Member whose total obligation to deliver a particular currency exceeds an applicable threshold, the Clearing House may increase the Margin Requirement relating to the relevant FX Contracts and the Clearing Member shall satisfy such increased Margin Requirement in that currency in accordance with the Clearing House’s concentration risk policy.

(b) in respect of each Clearing Member whose total obligation to receive a particular currency exceeds an applicable threshold, the Clearing House may increase the Margin Requirement relating to the relevant FX Contracts in accordance with the Clearing House’s concentration risk policy.

5.15 In determining the amount of any increased Margin Requirement pursuant to paragraph 5.14, the Clearing House may take into account any evidence the Clearing Member can provide of offsetting obligations arising from cleared transactions to deliver or receive the relevant currency through the CLS System which are effective to reduce the Clearing Member’s exposure in the CLS System and such offsets shall be with the same counterparty, currency and settlement date in the CLS system.

5.16 In relation to paragraph 5.14(a), if the Clearing Member provides Margin Requirement in a currency other than that specified, the Clearing House shall, at the Clearing Member’s expense, be entitled to convert such currency into the currency specified at such rate prevailing at the time of the calculation as it shall reasonably select.

5.17 In relation to paragraph 5.14(b), if the Clearing Member exceeds an applicable threshold, the Clearing Member shall provide an explanation to the Clearing House in writing, including an assessment of the adequacy of the thresholds. This assessment will be reviewed by the Clearing House. If a Clearing Member exceeds an applicable threshold for the second time, the Clearing Member shall provide an explanation to the Clearing House in writing, including an updated assessment of the adequacy of the thresholds and an explanation for the repeated threshold breach. If the applicable thresholds are breached by the Clearing Member, such breach may result in fines as established by the Clearing House. At the same time, the Clearing House will request a meeting with the Clearing Member in which the Clearing Member is requested to present on the threshold setting process, the set thresholds, and the repeated breaches. If the applicable thresholds are breached by the Clearing Member three times, the Clearing Member is requested to present such breach to the FX Settlements Working Group. Senior management of the Clearing Member is also requested to present to the Clearing House
on the threshold setting process, the set thresholds, and the repeated breaches. In addition, such breach may result in fines as established by the Clearing House.

5.18 No later than 17:00 on the second Business Day preceding the intended day of delivery, each Clearing Member must tender to the Clearing House a further notice of intention to settle an Exchange Contract through the CLS System. Clearing Members must provide a notice of intention in relation to each Exchange Contract that is due for delivery.

5.19 Following receipt of the notice, the Clearing House shall provide each Clearing Member which has a delivery obligation for a particular delivery date with delivery instructions specifying the amount of the relevant currency, and the identity and CLS Account details of the other Clearing Member to which the Clearing Member will make the delivery (the Delivery Instructions). The Clearing House will provide separate Delivery Instructions for each Contract in respect of which a Clearing Member has a delivery obligation on a delivery date.

5.20 Within one (1) hour of receipt of the Delivery Instructions from the Clearing House, a Clearing Member may agree with the Clearing Member identified in the Delivery Instructions, that they will instead use the Non-CLS delivery process as set out in section 6 of this FX Delivery Procedure. Clearing Members may only agree to use the delivery process set out in section 6 if the value of the delivery is less than USD$25 (twenty five) million. If the Clearing Members agree to do this, they must inform the Clearing House as soon as possible and the Clearing House will notify each Clearing Member of the cancellation of the CLS Delivery Instructions. In this case, the Clearing Members and the Clearing House will instead settle in accordance with section 6 of this FX Delivery Procedure.

5.21 Subject to paragraph 5.11, on the Business Day preceding the intended day of delivery, each Clearing Member must confirm to the Clearing House by 19:00 that the relevant CLS Instruction has been made. The details included in the CLS Instructions must match the Delivery Instructions provided by the Clearing House pursuant to paragraph 5.19 of this FX Delivery Procedure and must ensure that delivery will be made on the delivery date required by the Contract Specification. The Clearing Member may not amend the Delivery Instructions without the prior written consent of the Clearing House. Once the Clearing Member has confirmed the CLS Instruction has been made it may not amend or cancel the CLS Instruction without the prior written consent of the Clearing House. Consent may be given by the Clearing House to Clearing Members to enter into an EFRP Transaction in accordance with the Exchange Rules.

5.22 The Clearing Member must also confirm to the Clearing House by 19:00 that the CLS Instruction has been matched in the CLS System with the corresponding CLS Instruction of the other Clearing Member identified in the Delivery Instructions.

5.23 The Clearing Member must confirm to the Clearing House receipt of the delivery of the relevant currency for each Contract.
5.24 If on the delivery day any CLS Instruction has failed to settle each Clearing Member must notify the Clearing House as soon as possible. Such notifications shall be in the form of a Notice of Settlement Failure set out as Appendix 1 to this FX Delivery Procedure. The Notice of Settlement Failure should be emailed to the following email address: ClearingSupport@cmeclearingeurope.com. Clearing Members must make such notification by 15:00 London time.

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 or where two Clearing Members have, in accordance with paragraph 5.20 of this FX Delivery Procedure elected to make delivery in accordance with this section 6 or where the CLS System is unavailable and the Clearing House has directed the Clearing Members to make delivery in accordance with this section 6 of the FX Delivery Procedure, delivery shall follow the requirements set out in this section 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 an Agent Bank or Banks in each country into which currency shall be delivered, and shall make the relevant details available to the Clearing Member upon request. Agent Banks shall notify the Clearing House when currency funds have been received.

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, after receipt of notification that currency funds have been received from the buying Clearing Member, and in accordance with CMECE instruction deadlines set out in Appendix 2 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, after receipt of notification that currency funds have been received from the selling Clearing Member, and in accordance with CMECE instruction deadlines set out in Appendix 2 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.
Seller's Delivery Requirements

6.7 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 cover a net short position shall, no later than 17:00 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 bank(s) used by the seller and the number of Contracts and the component delivery values.

(b) The Clearing Member shall arrange with their bank to transfer currency to the Agent Bank of the Clearing House, as directed by the Clearing House, such that the currency is received no later than the payment deadlines set out in Appendix 2.

(c) If, in relation to an Exchange Contract, the seller's Non-CLS Delivery Commitment is received later than 17:00 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 section 9 of this FX Delivery 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 section 9 of this FX Delivery Procedure.

(d) From time to time, 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.

6.8 Selling Clearing Members must deliver their currency from a bank in the country of origin of the relevant currency or a bank with a correspondent bank in that country. The delivering bank must be a commercial bank. At least one day prior to settlement the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.
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.

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 Agent Bank in accordance with the payment deadlines set out in Appendix 2.

The following information must be contained in the instructions sent by the selling Clearing Member’s bank to the 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 relevant account at the Agent Bank 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 Clearing House Rules and/or the Exchange Rules.

Buyer’s Delivery Requirements

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 cover a net long position shall, no later than 17:00 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) The Clearing Member shall in accordance with the payment deadlines set out in Appendix 2 deposit the delivery amount (as described in paragraph 6.4) denominated in the currency of the minimum price fluctuation. Such deposit shall be in the form of a payment to a specified account at an Agent Bank designated by the Clearing House.

(c) If, in relation to a Contract, the Non-CLS Delivery Commitment is received later than 17:00 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
section 9 of this FX Delivery 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 section 9 of this FX Delivery Procedure.

(d) From time to time, 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.

6.13 Buying Clearing Members must take delivery of the currency at a bank in the country of origin of the relevant currency or a bank with a correspondent bank in that country. The delivering bank must be a commercial bank. At least one day prior to settlement the Clearing Member must provide the bank name, SWIFT BIC and address of the bank to the Clearing House.

6.14 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.

6.15 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 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 Agent Bank, the loss in interest or cost of negative interest could be considerable.

6.16 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 Wire Transfers

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

7.2 A Clearing Member which elects to send a wire transfer of funds to the Agent Bank in order to make delivery under a Contract must ensure that the payment is received into the relevant account at the relevant Agent Bank in accordance with the payment deadlines in Appendix 2.

Payment Instructions

7.3 All wire transfers of funds into an account at an Agent Bank must comply with the EU Regulation 1781/2006 on information on the payer accompanying transfers of funds. Any delay in sending funds or other error relating to depositing any funds into the account at the Agent Bank 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 Clearing House Rules and/or the Exchange Rules.

7.4 A Clearing Member who fails to deposit funds in accordance with this FX Delivery Procedure will be responsible for any overdraft charges assessed by the Agent Bank 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. 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 section 8.

8.2 Cash settlement shall occur at the Final Settlement Price.

Cash settlement of Exchange Contracts

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.

Cash settlement of Contracts which are not Exchange Contracts

8.5 Cash settlement shall occur as set out in the relevant Contract Specification.

Payments

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

9 Delivery Infractions

Late or Inaccurate Delivery

9.1 If a Clearing Member fails to deposit such funds in order to make timely payment as required in this FX Delivery 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. 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 or a selling 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 section 9.

9.3 If the Clearing House takes any action pursuant to this section 9, 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 Clearing House Rules and/or the Exchange Rules.

Delivery Obligation Failure

9.4 A Clearing Member who fails to perform all acts required by this FX Delivery Procedure, or whose actions or inactions have been, at the discretion of the Clearing House, deemed a delivery obligation failure shall be liable to the Clearing House for any loss sustained, which loss shall be at least 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.

Fines Schedule

Submission of late notices of intention to settle via CLS or Non-CLS Delivery Commitments

Notices of intention to settle via CLS submitted after 17:00 shall incur a fine of at least USD$200.00 per notice of intention.

Non-CLS Delivery Commitments submitted after 17:00 shall incur a fine of at least USD$200.00 per Non-CLS Delivery Commitment.

Submission of changes to Delivery Commitments

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 19:00 for all Contracts with the exception of Canadian Dollar and Turkish Lira Contracts.

USD$100 per Non-CLS Delivery Commitment in relation to which changes are submitted after 16:00 for Canadian Dollar and Turkish Lira Contracts.
Appendix 1: Form of Notice of Settlement Failure

To: CME Clearing Europe Limited

From: [Name of Clearing Member] (Clearing Member)

Notice of Settlement Failure

1. The Clearing Member has not received the required delivery currency in respect of the following Contract(s):

[full details of all Contracts under which delivery has not been made to be included]

2. Clearing Member confirms that it has immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and is willing to make immediate delivery in the manner directed by the Clearing House or otherwise to follow the directions of the Clearing House in relation to the relevant currency in accordance with the Rules.

AND/OR

3. Clearing Member confirms that it does not have immediate access to the amount of the relevant currency required in order for it to meet its delivery obligation under the following Contract(s):

[details of the relevant Contracts to be set out]

and it is not able to make immediately delivery in respect of such Contract(s) or otherwise to follow the directions of the Clearing House in relation to the relevant currency in accordance with the Rules.

Signed by: [Clearing Member Representative who is appropriately authorized to give the Notice of Settlement Failure]

On behalf of: [Name of Clearing Member]

Date: [ ]
# Appendix 2: Non-CLS deadlines

<table>
<thead>
<tr>
<th>Non CLS Payment Deadlines</th>
<th>All times are London</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>Clearing Member Payment Currency</td>
<td>Payment Deadline</td>
<td>CMECE Payment Currency</td>
<td>CMCE Instruction Deadline</td>
</tr>
<tr>
<td>AUD / USD</td>
<td>AUD</td>
<td>3.00 (vd)</td>
<td>USD</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>AUD</td>
<td>21.30 (vds-1)</td>
</tr>
<tr>
<td>USD / CAD</td>
<td>USD</td>
<td>13.00 (vd)</td>
<td>CAD</td>
<td>15.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>CAD</td>
<td>13.00 (vd)</td>
<td>USD</td>
<td>15.00 (vd)</td>
</tr>
<tr>
<td>USD / CHF</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>CHF</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>CHF</td>
<td>9.00 (vd)</td>
<td>USD</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / GBP</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>GBP</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>GBP</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / CNH</td>
<td>EUR</td>
<td>9.00 (vd-1)</td>
<td>CNH</td>
<td>16.00 (vd-1)</td>
</tr>
<tr>
<td></td>
<td>CNH</td>
<td>5.00 (vd)</td>
<td>EUR</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td>EUR / DKK</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>DKK</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>DKK</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / HUF</td>
<td>EUR</td>
<td>8.00 (vd)</td>
<td>HUF</td>
<td>10.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>HUF</td>
<td>8.00 (vd)</td>
<td>EUR</td>
<td>10.00 (vd)</td>
</tr>
<tr>
<td>Non CLS Payment Deadlines</td>
<td>All times are London</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Contract</td>
<td>Clearing Member Payment Currency</td>
<td>Payment Deadline</td>
<td>CMECE Payment Currency</td>
<td>CMCE Instruction Deadline</td>
</tr>
<tr>
<td>EUR / JPY</td>
<td>EUR</td>
<td>9.00 (vd -1)</td>
<td>JPY</td>
<td>21.30 (vd -1)</td>
</tr>
<tr>
<td></td>
<td>JPY</td>
<td>4.00 (vd)</td>
<td>EUR</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td>EUR / TRY</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>TRY</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>TRY</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / NOK</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>NOK</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>NOK</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / PLN</td>
<td>EUR</td>
<td>8.00 (vd)</td>
<td>PLN</td>
<td>10.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>PLN</td>
<td>8.00 (vd)</td>
<td>EUR</td>
<td>10.00 (vd)</td>
</tr>
<tr>
<td>EUR / CHF</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>CHF</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>CHF</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / SEK</td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>SEK</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>SEK</td>
<td>9.00 (vd)</td>
<td>EUR</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>EUR / USD</td>
<td>USD</td>
<td>13.00 (vd)</td>
<td>EUR</td>
<td>15.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>EUR</td>
<td>9.00 (vd)</td>
<td>USD</td>
<td>13.00 (vd)</td>
</tr>
<tr>
<td>EUR / CZK</td>
<td>EUR</td>
<td>9.00 (vd -1)</td>
<td>CZK</td>
<td>8.00 (vd)</td>
</tr>
<tr>
<td>Non CLS Payment Deadlines</td>
<td>Clearing Member Payment Currency</td>
<td>Payment Deadline</td>
<td>CMECE Payment Currency</td>
<td>CMCE Instruction Deadline</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------</td>
<td>-----------------</td>
<td>------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CZK</td>
<td>EUR</td>
<td>8.00 (vd)</td>
<td>EUR</td>
<td>10.00 (vd)</td>
</tr>
<tr>
<td>GBP / USD</td>
<td>GBP</td>
<td>9.00 (vd)</td>
<td>USD</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>13.00 (vd)</td>
<td>GBP</td>
<td>13.00 (vd)</td>
</tr>
<tr>
<td>USD / JPY</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>JPY</td>
<td>21.30 (vd-1)</td>
</tr>
<tr>
<td></td>
<td>JPY</td>
<td>4.00 (vd)</td>
<td>USD</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td>USD / MXN</td>
<td>USD</td>
<td>13.00 (vd)</td>
<td>MXN</td>
<td>15.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>MXN</td>
<td>13.00 (vd)</td>
<td>USD</td>
<td>15.00 (vd)</td>
</tr>
<tr>
<td>NZD / USD</td>
<td>NZD</td>
<td>1.00 (vd)</td>
<td>USD</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>NZD</td>
<td>19.30 (vd-1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD / CNH</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>CNH</td>
<td>16.00 (vd-1)</td>
</tr>
<tr>
<td></td>
<td>CNH</td>
<td>5.00 (vd)</td>
<td>USD</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td>USD / ILS</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>ILS</td>
<td>20.00 (vd-1)</td>
</tr>
<tr>
<td></td>
<td>ILS</td>
<td>09.00 (vd)</td>
<td>USD</td>
<td>11.00 (vd)</td>
</tr>
<tr>
<td>USD / TRY</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>TRY</td>
<td>9.00 (vd)</td>
</tr>
<tr>
<td></td>
<td>TRY</td>
<td>9.00 (vd)</td>
<td>USD</td>
<td>11.00 (vd)</td>
</tr>
</tbody>
</table>

USD must be paid Settlement Date -1 by seller.

USD must be paid Settlement Date -1 by buyer.

USD must be paid Settlement Date -1 by seller.
<table>
<thead>
<tr>
<th>Contract</th>
<th>Clearing Member Payment Currency</th>
<th>Payment Deadline</th>
<th>CMECE Payment Currency</th>
<th>CMCE Instruction Deadline</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD / ZAR</td>
<td>USD</td>
<td>13.00 (vd-1)</td>
<td>ZAR</td>
<td>9.00 (vd)</td>
<td>USD must be paid Settlement Date -1 by seller.</td>
</tr>
<tr>
<td>ZAR</td>
<td>7.30 (vd)</td>
<td>USD</td>
<td>11.00 (vd)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Fully Segregated Account Procedure

1 Introduction

1.1 This Fully Segregated Account Procedure sets out the process of establishing and documenting an FS Individual Client Account and FS Account and the consequences of a default of the Clearing House, Clearing Member or Client in relation to such FS Individual Client Account.

2 Definitions

2.1 Capitalised terms have the meaning as set out below:

**Agreed Amount** means, in relation to an FS Account, the minimum value of FS Eligible Securities which the Clearing Member has agreed with the Client to maintain in the FS Account;

**Beneficiaries** means each Beneficiary Clearing Member and each Beneficiary Client and the term **Beneficiary** shall refer to either one of them;

**Beneficiary Clearing Member** means a person:

(a) that is a Clearing Member;

(b) whose name is referenced in the name of an FS Account;

(c) who has executed an FS Settlement Deed;

**Beneficiary Client** means a person:

(a) that is indicated as a Client in the books and records of the Clearing House;

(b) whose name is referenced in the name of an FS account;

(c) who has executed an FS Settlement Deed;

**Client Clearing Documents** means each Client Protection Agreement, Client Agreement, Client Acknowledgment and document designated as a Client Clearing Document by the Clearing House;

**Client Designated Account** means an account in the name of the relevant Beneficiary Client or an account designated from time to time by the relevant Beneficiary Client as a Client Designated Account;

**Enforcement Time** means the time following the date on which all Contracts entered into between the Beneficiary Clearing Members and the Clearing House under the Rules are terminated in accordance with Rule 2.5 (Clearing House Insolvency);
FS Account, in relation to a Beneficiary, has the meaning given to it in the relevant FS Settlement Agreement;

FS Collateral means any securities and/or cash standing to the credit of the FS Account;

FS Custodian means each custodian or securities settlement system which the Clearing House appoints as custodian for an FS Account;

FS Custody Agreement means:

(a) an agreement entered into between, inter alia, the Clearing House and an FS Custodian in which the parties agree that the FS Custodian will open and maintain FS Accounts and the FS Custodian is appointed to administer FS Eligible Securities, including without limitation the right to transfer FS Eligible Securities from a Client Designated Account into an FS Account;

(b) the general terms and conditions (however described) of an FS Custodian as published by such FS Custodian from time to time;

FS Documents means any or all (as the context may require) of:

(a) an FS Settlement Deed;

(b) an FS Security Interest Document;

(c) FS Custody Agreement;

(d) FS General Terms and Conditions; and/or

(e) any other documents designated as such by the Clearing House and the FS Security Trustee at any time;

FS Eligible Securities means any securities which are Eligible Securities save for those that the Clearing Member notifies the Clearing House are not acceptable pursuant to the terms of the Client Agreement;

FS Individual Client Account means an Individual Client Account in respect of which an FS Account has been created;

FS Security Interest Document means a document to which the FS Security Trustee is a party under which the Clearing House grants Security over one or more FS Accounts in favour of the FS Security Trustee and governed by the law applicable to such FS Accounts;
FS Settlement Deed means a deed entered into between the Clearing House, a Beneficiary Clearing Member and a Beneficiary Client in which the communication of the Agreed Amount and the delivery of FS Eligible Securities is agreed and each Beneficiary agrees to be bound by all obligations, authorisations and waivers applicable to Beneficiaries under this Deed;

FS Security Trust Deed means the security trust deed made between the Clearing House and the FS Security Trustee;

Multi-Party FS Custody Agreement means an FS Custody Agreement to which the Beneficiaries are parties;

Security means:

(a) any mortgage, charge, pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind in any jurisdiction;

(b) any proprietary interest over an asset, or any contractual arrangement in relation to an asset, which has the same commercial effect as if security had been created over it; and

(c) any right of set-off created by agreement;

Swiss FS Account means an FS Account opened with an FS Custodian incorporated in Switzerland;

Swiss FS Collateral Management Agreement means an FS Custody Agreement entered into with an FS Custodian incorporated in Switzerland; and

Swiss FS Security Interest Document means an FS Security Interest Document that is governed by Swiss law;

3 Explanation

3.1 A Clearing Member which clears a Client’s Transactions through an Individual Client Account may request the Clearing House to establish an FS Account relating to that Individual Client Account in accordance with this Procedure and upon satisfaction of the conditions in Rule 3A.10.1, which includes the requirement that the relevant Client Clearing Documents have been put in place for the protection of the Client.

3.2 An FS Account is an account in the name of the Clearing House maintained with an FS Custodian which facilitates the transfer of Collateral, in the form of FS Eligible Securities, in respect of Contracts entered into by the Clearing Member on behalf of a Client. The FS Account
will be opened in the name of the Clearing House but will reference the Clearing Member and Client to which it relates for identification purposes.

3.3 A Clearing Member may permit the Client to transfer FS Eligible Securities directly to the FS Account in satisfaction of the Clearing Member’s Margin Requirement in respect of the relevant FS Individual Client Account. Such transfer will also satisfy the Client’s obligations to deliver collateral to the Clearing Member under the Client Agreement. The delivery and satisfaction of obligations shall be in accordance with the Rules and the FS Documents.

3.4 To the extent FS Eligible Securities stand to the credit of the FS Account, the value assigned to such FS Eligible Securities by the Clearing House will satisfy the obligation of the Clearing Member to deliver an equivalent amount of Eligible Collateral to the Clearing House in respect of that FS Individual Client Account. If the value of the FS Eligible Securities standing to the credit of the FS Account is less than the Margin Requirement with respect to the relevant FS Individual Client Account, the Clearing Member shall transfer to the Clearing House the difference between the value of the FS Eligible Securities standing to the credit of the FS Account and the Margin Requirement with respect to the relevant FS Individual Client Account through the Settlement Cycle operated in accordance with the Rules.

3.5 Where required, the Clearing Member shall notify the Clearing House of the Agreed Amount from time to time. The Agreed Amount may be less than, equal to or greater than the Margin Requirement for the FS Individual Client Account. Any securities delivered to the FS Account which are not FS Eligible Securities will be valued by the Clearing House at zero.

3.6 The Clearing House shall grant Security over each FS Account to the FS Security Trustee who shall hold the benefit of such Security on trust for the Beneficiaries in accordance with the FS Security Trust Deed.

3.7 Where the Clearing House has been notified by the Clearing Member of the Agreed Amount, the Clearing House and/or the FS Custodian shall not permit FS Eligible Securities standing to the credit of an FS Account to be released from the FS Account if such release would result in the value of FS Eligible Securities credited to the FS Account being less than the Agreed Amount.
4 Establishment of an FS Account

4.1 The Clearing House may require the following FS Documents to be entered into:

<table>
<thead>
<tr>
<th>Name of document</th>
<th>Parties</th>
<th>Purpose of document</th>
<th>Number required</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS Settlement Deed</td>
<td>Clearing House, Clearing Member, Client</td>
<td>Sets out (a) how parties communicate the Agreed Amount; (b) the arrangement for settlement of Clearing Member’s Margin Requirement (i.e. that delivery of FS Eligible Securities by Client to Clearing House satisfies obligations to deliver collateral from Client to Clearing Member and Collateral from Clearing Member to Clearing House); (c) certain terms governing the management of collateral; (d) termination of the FS Account; and (e) that the Clearing Member and Client accede to FS Security Trust Deed</td>
<td>A separate FS Settlement Deed is needed for each Client</td>
</tr>
<tr>
<td>FS Security Trust Deed</td>
<td>Entered into between Clearing House and Security Trustee, Each Clearing Member and Client must accede</td>
<td>Appoints Security Trustee to hold benefit of Security Interest over FS Accounts on trust for Beneficiaries</td>
<td>A single Security Trust Deed, with respect to one or more Security Interest Documents, to which each Clearing Member and Client that has an FS Account will accede through the FS Settlement Deed</td>
</tr>
<tr>
<td>FS Security Interest</td>
<td>Clearing House</td>
<td>Clearing House creates Security Interest over FS</td>
<td>A separate FS Security Interest Document</td>
</tr>
<tr>
<td>Name of document</td>
<td>Parties</td>
<td>Purpose of document</td>
<td>Number required</td>
</tr>
<tr>
<td>------------------</td>
<td>---------</td>
<td>---------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Document</td>
<td>FS Security Trustee</td>
<td>Accounts in favour of FS Security Trustee and sets out which obligations are being secured and the rights of the Security Trustee on enforcement</td>
<td>creating a Security Interest over all FS Accounts of each Clearing Member Other versions of this agreement governed by laws other than English law may be required where the FS Account is maintained outside England</td>
</tr>
<tr>
<td>FS Custody Agreement</td>
<td>Clearing House, FS Custodian, Clearing Member, Client, FS Security Trustee</td>
<td>Each of Clearing House and Client appoint FS Custodian to hold an FS Account for it and to transfer FS Eligible Securities between the accounts and the documents sets out how the FS Account will be operated along with the Terms and Conditions of the FS Custodian which set out the broader terms of the contractual relationship and the details of the operational procedures to be undertaken by the FS Custodian</td>
<td>A separate FS Custody Agreement is needed for each FS Custodian, Clearing Member and Client combination</td>
</tr>
</tbody>
</table>

5 **Day to day operation of an FS Account**

5.1 An FS Individual Client Account is operated by the Clearing House in the same way as a Client Account save as set out below. In particular, the use of an FS Account does not alter the obligations of the Clearing Member in relation to an FS Individual Client Account under the Rules.
5.2 The Clearing Member must notify the Clearing House of any amendment to the FS Eligible Securities and, if applicable, to the Agreed Amount and haircuts (each as notified to them in writing). The Clearing Member may not select as FS Eligible Securities any types of securities other than Eligible Securities and, where applicable, may not specify haircuts that are less than those applied by the Clearing House but may, subject to the Clearing House’s concentration limits, limit the types of Eligible Securities and apply higher haircuts than those of the Clearing House. The Clearing House will notify the FS Custodian of any such amendments but they will not take effect until the FS Custodian is able to implement them in accordance with the relevant FS Custody Agreement.

5.3 In order to maintain FS Eligible Securities credited to the FS Account which are equal in value to the Agreed Amount, the FS Custodian will debit and credit, as appropriate, FS Eligible Securities from and to the Client Designated Account and the FS Account in order to maintain FS Eligible Securities of a value equal to the Agreed Amount credited to the FS Account, in accordance with the FS Custody Agreement.

5.4 Substitutions of FS Eligible Securities in the FS Account will be made in accordance with the FS Custody Agreement and/or the FS Settlement Deed.

5.5 FS Eligible Securities credited to the FS Account in respect of which a Distribution or corporate action is pending may be substituted for other FS Eligible Securities. The intention of the Clearing House, Clearing Member and Client are for all such FS Eligible Securities to be substituted. If any FS Eligible Security credited to the FS Account is subject to a Distribution or corporate action, it shall be dealt with in accordance with the FS Settlement Deed and the relevant FS Custody Agreement.

5.6 The Clearing House will only take into account FS Eligible Securities credited to the FS Account at the relevant time for the purposes of each Business Day’s end of day Settlement Cycle. The Clearing House will call the balance, if any, between the value of the FS Eligible Securities credited to the FS Account and the Margin Requirement with respect to the relevant FS Individual Client Account from the Clearing Member’s Settlement Bank. The Clearing Member may subsequently substitute Eligible Cash so provided with Eligible Securities in the normal way set out in Chapter 6 of the Rules and the Clearing and Settlement Procedure as if there was not an FS Account. Collateral received by the Clearing House in the normal way will be credited to a co-mingled custody account with one of the Clearing House’s Custodians and not to the FS Account with an FS Custodian.

5.7 The Clearing House shall value the FS Eligible Securities in accordance with its normal arrangements as set out in Chapter 6 of the Rules and paragraph 11 of the Clearing and Settlement Procedure save where the Clearing House and the Clearing Member have agreed a different haircut in which case the higher haircut shall be applied.
5.8 If the value of the FS Eligible Securities standing to the credit of the FS Account when combined with other Collateral provided by the Clearing Member with respect to the relevant FS Individual Client Account is greater than the Margin Requirement, FS Eligible Securities equal in value to the excess the FS Custodian will release the relevant FS Eligible Securities from the FS Account and return them to the Client in accordance with the FS Custody Agreement.

6 Operation of an FS Account on a default

Client default

6.1 If a Clearing Member notifies the Clearing House of a default by a Client pursuant to the Client Agreement and at such time no Declaration of Default has been issued by the Clearing House with respect to such Clearing Member, the Clearing Member may either:

(a) request that the Clearing House enters into equal and opposite Contracts with it and offset all Contracts with the result that no further Contracts remain outstanding with respect to the relevant FS Individual Account and require the Clearing House to take steps to ensure that the FS Custodian transfers the FS Eligible Securities and any Eligible Cash standing to the credit of the FS Account to an account designated by it; or

(b) transfer the Contracts credited to the relevant FS Individual Client Account to the Clearing Member’s House Account and require the Clearing House to take steps to ensure that the FS Custodian transfers the FS Eligible Securities and any Eligible Cash to the commingled custody account in the name of the Clearing House with a Custodian which holds Collateral relating to Clearing Member’s House Accounts.

6.2 The Clearing House is entitled to rely and act on the notice given by the Clearing Member that the Client is in default and shall not be required to verify that this is the case.

Clearing Member default

6.3 If the Clearing House issues a Declaration of Default against a Clearing Member, the Clearing House shall follow the process set out in the Default Rules in relation to the FS Individual Client Account. The Clearing House may take steps to ensure that the FS Custodian liquidates all, or some of, the FS Eligible Securities in order to value them for the purposes of calculating any Portable Net Sum or Single Net Sum, as applicable, and to credit the proceeds of any such liquidation to the FS Account. With respect to the FS Individual Client Account, the Client may choose:

(a) to port its positions to one or more Adopting Clearing Members in accordance with Rule 8.4. Where the Adopting Clearing Member offers an FS Individual Client Account, whether with the same or another FS Custodian, it may be possible to transfer the FS Eligible Securities and cash to an FS Account referencing the Adopting Clearing Member.
and the Client. However, it is likely that any FS Eligible Securities will have to be debited from the original FS Account before they can be credited to the FS Account referencing the Adopting Clearing Member and the Client. While the FS Eligible Securities are not credited to an FS Account, they are not subject to the Security Interest created by the FS Security Interest Document and their value will not be taken into account by the Clearing House in its calculations of the relevant Clearing Member’s Margin Requirement. Therefore, either the Client or the Adopting Clearing Member may be required to transfer Eligible Securities or Eligible Cash to satisfy any outstanding Margin Requirement relating to the FS Individual Client Account. Where the Adopting Clearing Member does not offer an FS Individual Client Account, the value of the FS Eligible Securities standing to the credit of the FS Account will be credited to the Client Account of the Client with such Adopting Clearing Member and the FS Eligible Securities will be held by the Clearing House with a Custodian in the usual way; or

(b) not to port its positions. In such circumstance, the Single Net Sum relating to the FS Individual Client Account (if positive) shall be returned to the Client in accordance with Rule 8.5 and the FS Security Trustee acting on instructions given in accordance with the FS Security Trust Deed may instruct the FS Custodian to deliver to the Client or the Security Trustee (to hold on trust for the Client) FS Eligible Securities and cash credited to the FS Account to satisfy the Clearing House’s obligation to deliver the Single Net Sum.

Clearing House default

6.4 If the Clearing House defaults pursuant to Rule 2.5 and it is an Enforcement Time, the Clearing House shall notify the FS Security Trustee and the FS Security Trustee shall act in accordance with the FS Security Trust Deed, which includes the requirement that the FS Security Trustee enforces the Security created by the FS Security Interest Documents against the assets credited to the FS Accounts. The FS Security Trustee is entitled to rely and act on the notice given by the Clearing House or the Bank of England that the Clearing House is in default and shall not be required to verify that this is the case. The FS Security Trustee may instruct the FS Custodian to liquidate all, or some, of the FS Eligible Securities and, to the extent that a Single Net Sum is owed to a Beneficiary, shall distribute FS Eligible Securities and cash to the relevant Beneficiaries in accordance with the FS Security Trust Deed and will instruct the FS Custodian accordingly.

7 Operation of the Swiss FS Account

7.1 In addition to the above provisions of this Fully Segregated Account Procedure, the following provisions relate only to Swiss FS Accounts.
Under the Swiss FS Collateral Management Agreement, the FS Eligible Securities transferred from a Client Designated Account to the relevant FS Account are not transferred by way of title transfer, but instead the Client grants two different Swiss law governed security interests to the Clearing House and the Clearing Member respectively. The Client grants to the Clearing House a first ranking security under Swiss law in the form of an irregular pledge (gage irrégulier/irregulares Pfandrecht) over the securities credited to the Swiss FS Account. This first ranking security secures liabilities owed by the Clearing Member to the Clearing House under the Rules. The Client grants to the Clearing Member a second ranking security under Swiss law in the form of an irregular deposit for security purposes (consignation irrégulière à titre de sûreté/irregulare Sicherheitshinterlegung) over securities credited to the Swiss FS Account, in effect over the claim of the Client against the Clearing House for the return of the FS Eligible Securities. This second ranking security secures liabilities owed by the Client to the Clearing Member under their contractual arrangements, as evidenced by the relevant Client Agreement. Both security interests involve a transfer of title over the securities credited to the Swiss FS Account to the Clearing House.

Client default

If the Clearing Member notifies the Clearing House of a default by the Client pursuant to the Client Agreement and at such time no Declaration of Default has been issued by the Clearing House with respect to such Clearing Member, the same options are available to the Clearing Member as set out in paragraph 6.1 above, save that the Clearing Member will need to enforce its security in order to gain control over the FS Eligible Assets. The Clearing Member may only enforce its security over the FS Eligible Assets with the consent of the Clearing House.

Clearing Member default

If the Clearing House issues a Declaration of Default against the Clearing Member, the Clearing House may enforce the irregular pledge over the assets credited to the FS Account in accordance with the Swiss FS Collateral Management Agreement and the FS Security Trust Deed and shall follow the procedure set out in paragraph 6.3 above. The parties have agreed in the Swiss FS Collateral Management Agreement that the Clearing Member’s second ranking security shall terminate on Clearing Member default, regardless of whether the Client is in default at such time, and the security granted by the Clearing House to the FS Security Trustee shall terminate with respect to any assets which are no longer credited to an FS Account.

Clearing House default

If the Clearing House defaults pursuant to Rule 2.5, the provisions of paragraph 6.4 apply, save that the enforcement of the security granted by the Clearing House to the FS Security Trustee is subject to Swiss law.

Priority of the Swiss security on default
7.6 If it is an Enforcement Time and the Client and the Clearing Member are also in default at the same time, the security granted by the Clearing House to the FS Security Trustee is enforceable in priority to that granted by the Client to the Clearing House and the Clearing Member. Once such security has been enforced by the FS Security Trustee, there should not be any assets remaining credited to the FS Account.

7.7 If it is not an Enforcement Time, but the first ranking security granted by the Client to the Clearing House and the second ranking security granted by the Client to the Clearing Member are, the first ranking security has priority over the second ranking security, because the Clearing Member’s second ranking security will terminate on default by the Clearing Member.

7.8 If it is not an Enforcement Time and the first ranking security granted by the Client to the Clearing House is also not enforceable, the Clearing Member may enforce the second ranking security granted to it by the Client provided the Clearing House agrees to such enforcement.
Options Contracts Procedure

1 Options with deliverables which are futures

Rights of call option purchaser

1.1 A Clearing Member who is a purchaser of a call option Contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to that Clearing Member a long futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the exercise, a Clearing Member who is a purchaser of a call option Contract may, at any time prior to the expiration of the option, engage in a closing sale transaction.

Rights of a call option seller

1.2 A Clearing Member who is the seller of a call option Contract in receipt of a notice of exercise shall automatically be assigned by the Clearing House a short futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the selling Clearing Member may, at any time prior to the receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.

Rights of put option purchaser

1.3 A Clearing Member who is a purchaser of a put option Contract shall have the right to give notice of exercise at any time prior to the option's expiration, in which case the Clearing House shall automatically assign to that Clearing Member a short futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of exercise, the purchasing Clearing Member may, at any time prior to the expiration of the option, engage in a closing sales transaction.

Rights of put option seller

1.4 A Clearing Member who is a seller of a put option Contract in receipt of a notice of exercise shall automatically be assigned by the Clearing House a long futures Exchange Contract, the price of which shall be the striking price specified in the option and the delivery month of which shall be that of the underlying futures contract. In lieu of the foregoing, the selling Clearing Member may, at any time prior to receipt of a notice of exercise or expiration of the option, engage in a closing purchase transaction.
Notice of Exercise

1.5 Unless otherwise specified in the Rules or relevant Contract Specification, a notice of exercise shall only be effective if it is delivered by the Clearing Member to the Clearing House no later than 16:30 hours, or 45 (forty-five) minutes after the price of the option being exercised or the underlying futures settlement price is posted, whichever is later, on any Business Day on which an option Contract may be exercised. Notice of exercise shall be given to the Clearing House in such form and manner as the Clearing House shall prescribe.

1.6 On the same day it receives a notice of exercise of an option Contract, the Clearing House shall assign the notice of exercise to a selling Clearing Member of an option Contract of the same series using one of methods described in section 2, and shall establish, by book entry to the relevant Account of the Clearing Members, Contracts in the underlying futures contract for both the purchasing and selling Clearing Members, the price of which shall be the exercised option’s strike price. As soon as practicable, the Clearing House shall notify the selling Clearing Member of such exercise and assignment. The assigned Exchange Contracts shall be subject to the Rules applicable to such Exchange Contracts.

1.7 On the day a selling Clearing Member receives a notice of exercise from the Clearing House, the Clearing Member shall if relevant, as soon as practicable, report such notice to the short option Client to whose Account it is allocated. The selling Clearing Member shall make every effort to notify its short option Clients who have granted in-the-money options which have not been allocated a notice of exercise that the option was not exercised.

1.8 The Clearing House shall allocate notices of exercise in a series of options for any given day among Clearing Members holding short positions in the same series of options using one of methods described in section 2. Each Clearing Member which has options Client Accounts shall devise, maintain and follow written procedures, subject to the approval of the Clearing House, for the fair and non-preferential allocation of notices of exercise among its Clients.

1.9 Unless specified otherwise in the Rules or relevant Contract Specification, on the last day on which an option may be exercised, each option Contract held by a Clearing Member having an in-the-money value will be automatically exercised by the Clearing House unless the Clearing House receives written notification from the Clearing Member at such time as the Clearing House shall prescribe on the option’s expiration date stating that the Clearing Member elects to abandon such option. The Clearing House shall make appropriate book entries and allocations for all options automatically exercised in accordance with this section 1.9.

1.10 For the purposes of the automatic exercise of options by the Clearing House, the in-the-money value of the option shall be based on the settlement price of the underlying futures contract on
the last day of trading in such option, or such other value as specified in the relevant Contract Specification.

1.11 An option for which the Clearing House has received written instructions to abandon by the time prescribed by the Clearing House on the last day for exercise of such option shall be deemed abandoned.

1.12 Each Clearing Member which has options held in Client Accounts shall exercise due diligence in monitoring such Accounts and obtaining instructions from Clients with respect to the handling and disposition of such options Contracts in such Accounts.

2 Option Assignment

2.1 The Clearing House shall assign the notice of exercise to a selling Clearing Member using one of the methods described in this section 2. The Clearing House shall advise Clearing Members of the method to be used in respect of each option product.

Random Assignment

2.2 Random assignment is so called because it entails sequential random draws on both sides of the process — long open interest being taken to exercise, and short open interest to which exercises will be assigned.

(a) Option Exercisers: The Clearing House begins by drawing randomly from a discrete uniform distribution defined across the option exerciser pool, i.e., all individual contracts in the pool of long open interest for a given option series which have been declared for exercise. Each option in the exerciser pool has equal probability of being drawn, irrespective of any other considerations — regardless of the clearing member firm at which the option is held, or the length of time for which the account holder making exercise has held the long position in the option series, or the Account of the Clearing Member, etc.

(a) Option Assignees: After an option has been drawn from the exerciser pool, the Clearing House draws randomly from a discrete uniform distribution defined across all individual contracts in the option’s pool of short open interest. Here too, each option contract in the short open interest pool has equal probability of being chosen, irrespective of other considerations — regardless of the Clearing Member at which it is held, or the Account in which it is held, or the size or vintage of the short position of which it may be part, etc.

Pro Rata Assignment
2.3 For each Clearing Member taking a long option position to exercise, the pro rata method distributes that position among all clearing members that hold short open interest, deterministically and in proportion to each short Clearing Member’s share of the total short open interest.