

**CLEARING RULES
OF NASDAQ DERIVATIVES MARKETS**

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CHAPTER 2

2.1 Clearing Operations

General

- 2.1.1 The Clearing House clears, where applicable, transactions in Instruments with respect to the following Sub-Markets:

Equity Market

The share-related derivatives Sub-Market

Fixed-income Market

The fixed-income-related derivatives Sub-Market

- 2.1.2 The regulations set forth in this chapter cover all Sub-Markets unless otherwise stated.
- 2.1.3 Clearing Members, Direct Clearing Agents or Direct Clearing Clients participate in clearing operations through being connected to the Clearing System for the relevant currency in a Sub-Market. In order to be connected, a Clearing Member, Direct Clearing Agent or Direct Clearing Client must fulfil the requirements governing the Sub-Market.
- 2.1.4 The Clearing House accedes as a party in the clearing operations (counterparty clearing). The Clearing House becomes a seller in relation to the buyer and a buyer in relation to the seller and thereby assumes all of the rights and obligations in accordance with the relevant Contract and the Clearing Rules. The Clearing House's accession as a party is designated as Registration.
- 2.1.5 A Customer is represented in the clearing operations by a Clearing Member or, with respect to a Direct Clearing Client, Direct Clearing Agent. Such Clearing Member is liable for the obligations of each of its Customers in accordance with section 2.12. However, a Customer also remains fully liable vis-à-vis the Clearing House for the performance of its obligations.
- 2.1.6 Customers and Clearing Members shall provide satisfactory Collateral for their respective undertakings. The purpose of the Collateral is to ensure that Customers and Clearing Members can perform their obligations in accordance with the Clearing Rules and that the clearing operations can thereby be conducted in a satisfactory manner.

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2.1.7 The Clearing House's risk position must always be balanced.

Registration

2.1.8 The Clearing House accedes as a party to all Transactions through Registration. Registration means that the Transactions become Contracts which are Recorded on accounts at the Clearing House.

Registration normally takes place in the following manner:

- (i) Exchange Transactions in Instruments that are both Exchange Listed and Clearing Listed and which are executed via ETS or MPS, in accordance with the Exchange Rules, are automatically and immediately Registered at the Clearing House in accordance with Section 2.5.
- (ii) Exchange Transactions in Instruments that are both Exchange Listed and Clearing Listed and that are entered into outside ETS or MPS, in accordance with the Exchange Rules, and reported via TRF are Registered as the Clearing House in accordance with Section 2.5.
- (iii) Transactions in Clearing Listed Instruments that are not Exchange Listed shall be Registered in accordance with section 2.4 provided that, in the Clearing House's opinion, such does not violate the Clearing Rules or sound clearing operations.
- (iv) Transactions in Instruments that are both Exchange Listed and Clearing Listed but that are entered into OTC (i.e. outside the Exchange Rules) and submitted to the Clearing House for Registration, shall be Registered in accordance with Section 2.4.

Information to be included when submitting Transactions for Registration

2.1.9 When submitting any Transaction for Registration, the Clearing Member or the relevant trading venue (as the case may be) shall include the following information:

- (i) the identity of the parties involved and, if applicable, their GCM;
- (ii) the Series;
- (iii) the number of Instruments;

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- (iv) the price (in the applicable currency);
 - (v) the time the Transaction is entered into (date, hour and minute) with a deviation of maximum 30 seconds;
 - (vi) the Clearing Account or Integrated Trading and Clearing Account, if other than default;
 - (vii) any additional information as required by the Exchange or Clearing Rules and the prevailing functionality of the Clearing System, including the applicable Genium INET OMnet API Documentation, protocol and contract specifications (where relevant).
- 2.1.10 The Clearing House retains the right to make an assessment in each individual case whether a Transaction executed in accordance with sections 2.1.8 (i)-(v) fulfils the requirements imposed by the Clearing House for Registration and also that any restrictions imposed by the Clearing House have not been exceeded.
- 2.1.11 The legal consequences of a Registration on an account at the Clearing House are based on contractual principles and are not covered by the provisions of the Financial Instruments Accounts Act (SFS 1998:1479).

Transfer Orders

- 2.1.12 A Transfer Order regarding Registration of a Transaction shall be deemed placed in the Clearing System at the time the Transaction is Registered in accordance with section 2.1.8. A Transfer Order may not be revoked by a Clearing Member, Direct Clearing Agent or Direct Clearing Client after Registration has taken place.

Contracts

- 2.1.13 During the term of a Contract, the Contract results, *inter alia*, in the occurrence of one or several contract events which entail rights and obligations for the parties. An account holder's rights and obligations are set forth on the Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account on which the Contracts are Recorded. When determining the rights and obligations, the Clearing House takes into consideration other Contracts Recorded on the same Clearing Account, Direct Clearing Account or the same Integrated Trading and Clearing Account, as applicable.

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Fees

- 2.1.14 Clearing Members and Customers shall pay fees to the Clearing House in accordance with the Fee List in force from time to time and available in the Clearing House website. Clearing Members and Customers shall be notified in respect of changes to the Fee List.
- 2.1.15 Fees shall become due and payable in accordance with the Clearing House's instructions. Clearing Members (excluding any Direct Clearing Agent) are liable for the payment by their Customers of fees to the Clearing House. Direct Clearing Agents shall ensure that their Direct Clearing Clients, who are liable for the payment, pay their fees to the Clearing House.

Business Hours

- 2.1.16 Established business hours in the Clearing System are *07:00 CET–19:25 CET*. Deviations from the hours specified in this Section 2.1.16 may occur in connection with holidays, etc., as set out at: <http://www.nasdaqomxnordic.com/tradinghours>. Additional deviations may also occur, notice of which shall be specially provided. During the times at which the Clearing System is open, administrative measures such as Re-Registration and Exercise may take place.

2.2 Clearing Membership Requirements

Application process

- 2.2.1 An entity seeking to become an Account Holder shall apply to the Clearing House using such form as is prescribed by the Clearing House from time to time. In addition, each such applicant shall:
- (i) provide reasonable evidence to show compliance with the requirements for membership set out in Section 2.2 of the Clearing Rules as applicable to the type of membership for which the applicant is making its application;
 - (ii) ensure that all applicable information that is furnished by or on behalf of it in connection with the application process is true, accurate and complete in every material respect as of the date it is furnished to the Clearing House;
 - (iii) endeavour to inform the Clearing House about all other circumstances relevant to the Clearing House's assessment of the information furnished, unless such information is of a general nature and it can reasonably be assumed that the Clearing House is already aware of the relevant issues;

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- (iv) provide the Clearing House with copies of audited versions of any annual reports issued by the applicant for the previous two (2) years, any interim reports for the current year, as well as any consolidated accounts when so requested. If an applicant is unable to produce an interim report or consolidated accounts upon a request being made by the Clearing House, it should at least provide the Clearing House with an English, Norwegian, Danish or Swedish language version of its quarterly balance sheet and profit and loss statement, signed by two authorised signatories and accompanied by evidence of the relevant signing authorities and specimen signatures. If, for special reasons, the applicant is unable to provide the above information, the Clearing House may in its sole discretion determine that the applicant may instead disclose a selection of audited key figures, as required by the Clearing House from time to time. Such key figures must be accompanied by a parent company guarantee and financial information regarding such parent company, as required by the Clearing House from time to time. The Clearing House may require further information on the applicant's legal status, financial soundness, organisation, level of competence and other matters as the Clearing House deems relevant and appropriate to consider its fitness for membership, including further evidence for the Clearing House to verify the authenticity or correctness of any information submitted. All such information requested from the applicant shall be provided free of charge to the Clearing House; and
- (v) if so requested by the Clearing House and without cost to the Clearing House, provide a legal opinion satisfactory to the Clearing House on such issues as the Clearing House considers appropriate to consider the applicant's fitness for membership, including that the applicant is legally entitled to undertake the relevant Transactions under applicable laws, signatory powers and signing procedures relating to the applicant, and generally that the Clearing Agreements and all other legal arrangements with the Clearing House will be valid and legally binding on the applicant if accepted as an Account Holder.

All information provided to the Clearing House under this Section 2.2.1 shall be provided in English unless explicitly accepted under the Clearing Rules or the Clearing House approves the use of another language.

2.2.2 Except as otherwise agreed in writing or as set out in the Clearing Rules, the applicant and the Clearing House shall cover their own incurred costs relating to the application process, including costs for external services as procured by either party. The refusal of a membership application shall not entitle the applicant to make any claim for indemnification or compensation for any reason whatsoever, nor shall any cost or loss arising from any delay or error in the application procedures result in any liability for the

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Clearing House.

- 2.2.3 The Clearing House will inform applicants about the outcome of the application process in writing. If approved, each applicant and the Clearing House shall then sign and execute the relevant Clearing Member Agreement or Direct Clearing Client Agreement, as appropriate (together with applicable third parties if mandated by the individual arrangements).
- 2.2.4 Following the due execution of the applicable Clearing Member Agreement or Direct Clearing Client Agreement, as the case may be, the Clearing House will establish Clearing Accounts and the applicant will get access to Clearing subject to its compliance with the applicable terms and conditions of the Clearing Rules.
- 2.2.5 The Clearing House will inform the Exchange of the identity of an approved applicant for the purpose of the Exchange's surveillance of the market in accordance with the Exchange Rules. The Clearing House may make available a copy of the relevant Clearing Member Agreement or Direct Clearing Client Agreement to the Exchange for this purpose.

Membership requirements

- 2.2.6 An applicant or Account Holder shall meet the following membership requirements.

Type of Institution

- 2.2.6.1 A Clearing Member shall at all times be a legal entity that is:
- (i) a credit institution licensed in accordance with legislation implementing the Directive 2013/36/EU (Capital Requirements Directive);
 - (ii) an investment firm licensed in accordance with legislation implementing the Directive 2014/65/EU (re-cast Markets in Financial Instruments Directive); or
 - (iii) an entity holding a similar licence from another jurisdiction approved by the Clearing House.

Clearing membership as a DCM may also be granted to Riksbanken (the Central Bank of Sweden) and Riksgäldskontoret (the Swedish National Debt Office).

- 2.2.6.2 The requirement in Section 2.2.6.1 shall also apply in relation to a Direct Clearing Client to the extent it intends to register Transactions on behalf of its Clients, unless the relevant

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Direct Clearing Client can provide evidence in writing, to the satisfaction of the Clearing House, that the performance of any activities on behalf of a Client does not require such licence.

2.2.6.3 Each Direct Clearing Client must also satisfy the following criteria at all times:

- (i) have its home state within the EEA; and
- (ii) be a legal entity, investment firm, credit institution, insurance company, investment fund, management company of an investment fund, foundation, pension fund, government institution or municipality.

Investment firms, credit institutions, insurance companies, investment funds and/or their management companies, foundations and pension funds shall be licensed and subject to supervision by the relevant public authorities in their jurisdiction of domicile (if legally required). A Direct Clearing Client must maintain such legal status until such time as it is no longer a Direct Clearing Client.

Suitability Requirement

2.2.6.4 An Account Holder must at all times possess adequate financial resources, a suitable organisation, an adequate level of competence, necessary risk management routines, secure and sound technical systems, and such other financial, legal, organisational and technical means as, in the Clearing House's opinion, are appropriate for participation in clearing operations as a GCM, DCM, Direct Clearing Agent or Direct Clearing Client, as the case may be. The organisation, risk management routines, and technical systems of each Account Holder must correspond to the operations conducted, or to be conducted, by the Account Holder at the Clearing House.

Financial Requirements

2.2.6.5 Except as otherwise provided herein, an Account Holder's Capital may not in any event be less than:

- (i) in respect of a GCM that does not participate in the clearing of Generic Rates Instruments, SEK 200 million;
- (ii) in respect of a DCM that does not participate in the clearing of Generic Rates Instruments, SEK 50 million;
- (iii) in respect of a Direct Clearing Client which does not participate in the clearing of

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Generic Rates Instruments, SEK 50 million¹; and

- (iv) in respect of an Account Holder that participates in the clearing of Generic Rates Instruments, SEK 500 million,

(in each case, the “**Minimum Capital Requirement**”).

Government institutions and municipalities are exempted from such financial requirements, but their membership shall be contingent on them being deemed by the Clearinghouse to be fit and proper to conduct clearing operations.

An applicant or Account Holder may, in lieu of satisfying the Minimum Capital Requirement, obtain a guarantee from its parent company in accordance with the Capital Requirements Guideline. Such applicant or Account Holder shall however, be required to have a minimum Capital of SEK 10 million at all times and its membership will be contingent on the Clearinghouse deeming it to be fit and proper to conduct clearing operations. Additionally, the parent company providing the guarantee shall satisfy the requirements set out in the Capital Requirements Guidelines at all times.

In addition, each Account Holder must at all times comply with any additional requirements in relation to financial resources that have been made available by the Clearing House on its website from time to time, including as set out in the Credit Scoring Guidelines and Exposure Limit Guidelines (and, in particular, any restrictions on exposures based on such Account Holder’s Credit Score, Capital and Liquid Assets).

Technical Requirements

- 2.2.6.6 An Account Holder must be electronically connected to the Clearing House’s Clearing System through technical connections in accordance with the provisions of section 1.14.

Credit Requirements

- 2.2.6.7 An applicant or Account Holder must at all times satisfy a minimum internal Credit Score which is determined by the Clearing House based on analysis of a range of quantitative and qualitative inputs and may be updated from time to time. The analysis is performed using a predetermined methodology applicable to all applicants and/or Account Holders and includes financial analysis, behavioural information, external market data, as well as consideration of any implicit or explicit support available to the applicant and/or Account

¹ Increase from SEK 10 million to SEK 50 million for Direct Clearing Clients that are not investment funds or foundations will be effective as of 31st of December, 2019.

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Holder.

A credit assessment process is performed by the Clearing House prior to the admission of an applicant as an Account Holder and on an ongoing basis.

The Clearing House may vary the exposure limits set out in the Exposure Limit Guidelines and apply additional margin requirements based on the applicant or Account Holder's Credit Score, which an applicant or Account Holder would be required to comply with in order to gain or retain its membership.

Operational and Risk Management Requirements

- 2.2.6.8 An applicant or Account Holder shall have an independent risk management department or risk management officer responsible for assessing the level of risk in relation to clearing activities, and for monitoring the applicant's or Account Holder's financial capacity and risk limits. This department or officer should have the authority to take appropriate actions in case of limit or margin requirement breaches.
- 2.2.6.9 An applicant or Account Holder shall have appropriate processes in place for managing and controlling material financial (including market and counterparty) and non-financial risks (including operational risks) that the relevant applicant or Account Holder is exposed to. Such processes shall be appropriately documented and approved by the relevant senior bodies within the applicant's or Account Holder's organisation.
- 2.2.6.10 An applicant or Account Holder shall maintain current written risk management policies and procedures which address the risks that the relevant applicant or Account Holder may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, an Account Holder shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House.
- 2.2.6.11 An applicant or Account Holder shall have the appropriate systems in place to support its clearing activities and the risks associated with those activities. The systems shall include appropriate links to the Clearing House, allow timely and accurate margin calculations and reconciliations and be commensurate with the complexity of the applicant's or Account Holder's operations.

In addition, Account Holders must at all times comply with any additional operational requirements that have been made available by the Clearinghouse on its website from time to time, including as set out in the Operational Requirements Guidelines.

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Back Office Personnel

- 2.2.6.13 An applicant or Account Holder shall maintain a back office:
- (i) with adequate systems (including but not limited to computer and communications systems) and records;
 - (ii) with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearing House and in which the applicant or Account Holder participates or intends to participate; and
 - (iii) with such equipment (including technology and connectivity) as may be stipulated by the Clearing House or by the Exchange.
- 2.2.6.14 An Account Holder shall participate in clearing through Back Office Personnel, who must be employees of the relevant Account Holder. An Account Holder shall at all times have at least two employees who fulfil the requirements applicable to Back Office Personnel.
- 2.2.6.15 An applicant or Account Holder shall be responsible for ensuring that Back Office Personnel are appropriately qualified and otherwise suitable for their duties, including that such Back Office Personnel:
- (i) have studied and understood the back office self-study material provided by the Clearing House and possess knowledge of the Clearing System, including any application used to access it;
 - (ii) promptly review any updated back office self-study material provided by the Clearing House; and
 - (iii) possess general knowledge in derivative products of the Clearing House and are able to perform all the required functions in relation to clearing, including reconciliations, settlements and actioning margin calls.
- 2.2.6.16 An Account Holder shall be responsible for all actions taken by Back Office Personnel or other parties via the Account Holder's connection to the Clearing System, irrespective of whether the action taken was taken with or without authorisation. The Account Holder shall ensure that each registration measure in the Clearing System complies with the Clearing Rules. The Account Holder shall ensure that the personal user identity of the Back Office Personnel is stated in conjunction with each individual registration measure.

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Additional requirements

- 2.2.6.17 The Clearing House may at its discretion set additional objective and non-discriminatory requirements for each membership category proportional to the perceived riskiness of such membership category. Any such additional requirements are available upon request to shall be published on the Clearing House's webpage.
- 2.2.6.18 Each Account Holder must be able to settle the Instruments in which the Account Holder participates with regard to clearing in accordance with the relevant contract specifications for each respective Instrument.
- 2.2.6.19 Each Account Holder (including where acting in the capacity of a Direct Clearing Agent) shall at all times have in place at least one designated contact person responsible for clearing and settlement-related issues who shall be available to the Clearing House, and also at least one substitute for such contact person (s). The Clearing House shall be notified of contact details with regard to such contact person(s) and substitute(s).
- 2.2.6.20 Each Account Holder (including where acting in the capacity of a Direct Clearing Agent) shall at all times appoint a person as administrator to the Nasdaq Member Portal. The Clearing House may require that any information or data to be submitted or certifications to be made by the Account Holder (including where acting in the capacity of a Direct Clearing Agent) under these Rules shall be submitted or made, as the case may be, through the Nasdaq Member Portal.
- 2.2.6.21 Each Account Holder shall also meet the membership requirements detailed in section 2.2A.
- 2.2.6.22 In respect of a Direct Clearing Client that participates in the clearing of Generic Rates Instruments, unless such Direct Clearing Client has signed a Default Management Commitment in accordance with the Loss Sharing Rules, its Direct Clearing Agent must sign a Default Management Commitment.
- 2.2.6.23 In respect of a Direct Clearing Client that participates in the clearing of Custom Basket Forwards, unless such Direct Clearing Client has signed a Close-Out Provider Agreement, its Direct Clearing Agent must sign a Close-Out Provider Agreement.

Anti-Financial Crime Requirements

- 2.2.6.24 An applicant or Account Holder must at all times satisfy a minimum internal FC Risk Score which is determined by the Clearing House based on analysis of a range of

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qualitative inputs and may be updated from time to time. The analysis is performed using a predetermined methodology applicable to all applicants and/or Account Holders.

An FC risk assessment process is performed by the Clearing House prior to the admission of an Account Holder and on an ongoing basis.

Termination of Membership

- 2.2.6.25 The Clearing House may terminate membership in the event an Account Holder no longer fulfils the membership requirements.
- 2.2.6.26 An Account Holder shall be entitled to terminate membership in accordance with the Clearing Rules, and subject to the period of notice of termination set forth in the applicable Clearing Member Agreement or Direct Clearing Client Agreement.

Default and Sanctions

- 2.2.6.27 Each Account Holder shall at all times continue to comply with the qualifications and requirements set out in this Section 2.2, as applicable, and shall promptly notify the Clearing House if it has at any point breached or reasonably expects to breach any such qualifications or requirements.
- 2.2.6.28 Any breach of the membership criteria set out in this Section 2.2 or made under Section 2.2.6.17 from time to time may result in:
- (i) a default under the Clearing Rules; or
 - (ii) the Clearing House imposing on the relevant Account Holder one or more of the sanctions provided for in the Clearing Rules.

2.2A Additional Requirements on Account Holders with respect to Collateral

- 2.2A.1 Each Clearing Member, Direct Clearing Agent and/or Direct Clearing Client shall, subject to section 2.11.3, designate a bank account in each relevant Permitted Currency with an Approved Settlement Bank for the provision of Cash Collateral.
- 2.2A.2 With respect to the Cash Collateral Bank Account(s) opened in accordance with section 2.2A.1, each Clearing Member, Direct Clearing Agent and/or Direct Clearing Client:
- (i) authorises (or, if it is not the account owner, provides for such authorisation to be granted by the relevant account owner) the Clearing House to issue direct debit and/or credit (as applicable) instructions for any amounts due in accordance with the Clearing

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Rules and any fees due to the Clearing House (including accrued interest), to the Approved Settlement Bank, in respect of the Cash Collateral Bank Account(s); and

(ii) shall execute a Power of Attorney (or, if it is not the account owner, provide for a Power of Attorney to be executed by the relevant account owner) to enable the Clearing House to issue direct debit and/or credit instructions for any amounts due in accordance with the Clearing Rules and any fees due to the Clearing House (including accrued interest), to the relevant Approved Settlement Bank with respect to the respective Cash Collateral Bank Account(s).

Each Clearing Member, Direct Clearing Agent and/or Direct Clearing Client shall immediately notify the Clearing House to the extent it (or the relevant account owner) wishes to revoke such authority provided at 2.2A.2(i) and or the Power of Attorney executed pursuant to 2.2A.2(ii) above in respect of one or more Cash Collateral Bank Accounts.

Notwithstanding anything to the contrary in the Power of Attorney or in a similar instrument, each Approved Settlement Bank is authorized to act in accordance with any communication or manual instruction (including, without limitation, by using email, fax or other authenticated electronic means) from the Clearing House, which may from time to time be used due to a SWIFT disruption or similar event (including, for the avoidance of doubt, an event related to the Clearing House's systems).

2.2B Additional Requirements with respect to Indirect Clearing

2.2B.1 Clients and Customers of Clearing Members are permitted to facilitate Indirect Clearing Arrangements, provided that they are an authorized credit institution, investment firm or an equivalent third country credit institution or investment firm, and meet the requirements under the Indirect Clearing RTSs (to the extent applicable to the relevant Client and/or Customer).

The Clearing Member shall ensure that the contractual terms of the Indirect Clearing Arrangement require the Client or Customer to honor all obligations of the Indirect Client towards the Clearing Member with regard to Transactions arising from the Indirect Clearing Arrangement and shall clearly document the scope of such arrangement.

Each Clearing Member shall ensure that it meets the requirements under the Indirect Clearing RTSs (to the extent applicable to the relevant Clearing Member).

With respect to Indirect Clearing Arrangements and Longer Chains, the following requirements apply:

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- (a) the Indirect Client and/or the Second Indirect Client that provide the services relating to the Indirect Clearing Arrangement are authorized credit institutions, investment firms or equivalent third country credit institutions or investment firms;
- (b) the Transactions arising as part of the Indirect Clearing Arrangement are exclusively Transactions entered into by a Second Indirect Client or Third Indirect Client, whose assets and positions are held by the Clearing Member in a Net Omnibus Segregated Account; and
- (c) the requirements set out in the Indirect Clearing RTSs are met (to the extent applicable to the relevant Indirect Client, Second Indirect Client and/or Third Indirect Client).

2.3 Clearing Listing

- 2.3.1 The Clearing House is entitled to list or de-list Clearing Listed Instruments where, in the Clearing House's opinion, the conditions for the same are satisfied. The Clearing House lists Clearing Listed Instruments with the Expiration Months and the Term, as applicable, set forth in the Quotation List. In conjunction with Clearing Listing of an Instrument, the Clearing House determines whether the conditions for a suitable administration and risk management of such Instrument is satisfied, taking into consideration market conditions and circumstances in general.
- 2.3.2 After the Clearing House has approved an Instrument for Clearing Listing, the Clearing House lists the Instrument in question in one or several Clearing Series in order to facilitate Registration.
- 2.3.3 In conjunction with Clearing Listing of new Clearing Series with respect to a Contract Base previously approved for Clearing Listing, no new assessment takes place of the Contract Base. Clearing Listing of new Clearing Series does not affect any previous Clearing Listed Series.

De-Listing

- 2.3.4 The Clearing House may decide to de-list a Clearing Series, provided that no Contracts are Recorded in the Clearing Series in question and a de-listing is in accordance with market conditions and circumstances in general.

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2.3.5 If the conditions for the maintenance of suitable clearing with respect to a specific Contract Base are not satisfied, e.g. where the Contract Base consists of a specific share and the share is de-listed, the Clearing House may, in addition, decide that Clearing Listing with respect to all Clearing Series with the relevant Contract Base shall cease, provided that such de-listing is in accordance with market conditions and circumstances in general. The Clearing House is, for example, entitled to de-list a specific Series provided that no Contracts exist in the Series in question. In conjunction with de-listing, the Clearing House may determine a new Expiration Day for Series and Recorded Contracts.

2.4 Clearing Listed Instruments and Flexible Instruments

General

2.4.1 The Instruments that are subject to clearing at the Clearing House are Clearing Listed Instruments. The Clearing Listed Instruments are set forth in the Quotation List in force from time to time.

Clearing Listed Instruments

2.4.2 A Clearing Listed Instrument is an Instrument cleared by the Clearing House and the terms and conditions of which are primarily standardised in accordance with the relevant contract specification, see Chapters A, B and C.

Transactions in Exchange Listed and Clearing Listed Instruments

2.4.3 Exchange Listed Instruments are always Clearing Listed. Exchange Transactions are automatically and immediately subject to Clearing. Subject to Section 2.4.3a, Transactions relating to Exchange Listed Instruments are Registered in accordance with section 2.5.

2.4.3a Transactions in Instruments that are both Exchange Listed and Clearing Listed but that are entered into OTC (i.e. outside the Exchange Rules) and submitted to the Clearing House for Registration, shall be Registered following an approved application, subject to the following.

The Clearing House accepts Transactions for Registration under this section in the following Instruments:

- (i) Equity Contracts;
- (ii) Fixed Income Contracts.

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Transactions in Clearing Listed Instruments that are not Exchange Listed

2.4.4 Transactions in Clearing Listed Instruments that are not Exchange Listed are Registered by the Clearing House following an approved application as set out below. Applications for Registration take place through the Clearing Member's and/or Direct Clearing Client's electronic connection to the Clearing System, or through an Approved Affirmation Platform, as applicable. The application shall state the details of the Transaction, as further set out in Section 2.1.9. Applications shall be made as soon as possible following the execution of the Transactions. Certain applications for Registration will be subject to Prenovation Checks as set forth in section 2.4.10a.

Transactions in Clearing Listed Generic Rates Instruments and contract specifications in Sections C.7, C.8 and C.9 of Chapter C which are submitted for registration in the Clearing System through the system of an Approved Affirmation Platform, shall be deemed to be technically registered in the Clearing System and will be Registered by the Clearing House following an approved application as set out below. Applications for Registration shall be submitted through the Approved Affirmation Platform as soon as possible following the execution of the Transaction. Applications for Registration shall state the details of the Transaction, as further set out in Section 2.1.9. Certain applications for Registration will be subject to Prenovation Checks as set forth in section 2.4.10a.

In respect of an application for Registration of (i) Clearing Listed Instruments or (ii) Clearing Listed Generic Rates Instruments and Transactions in respect of contract specifications in Sections C.7, C.8 and C.9 of Chapter C that does not include a Credit Token (as defined below), the agreement must be confirmed by the relevant Clearing Members and/or Direct Clearing Clients stated in the application in order for the Transaction to be Registered by the Clearing House. Following the receipt of such application the Clearing House shall send to the Clearing Member the information referred to in Section 2.1.9 related to the Transaction within 60 seconds. The Clearing Member shall accept or reject the Transaction within 60 seconds from receiving the information from the Clearing House. The Clearing House shall accept or reject the clearing of the Transaction within 10 seconds from the receipt of the Clearing Member's/Direct Clearing Client's acceptance or rejection. Where the Clearing House rejects the Transaction, it shall inform the Clearing Member/Direct Clearing Client of the rejection on a real time basis. The Clearing Member/Direct Clearing Client shall inform its counterparties to the Transaction (if any) about the rejection as soon as it has been informed by the Clearing House.

If the application for Registration of Clearing Listed Generic Rates Instruments or Transactions in respect of contract specifications C.7, C.8 and C.9 of Chapter C, includes an approval from the relevant Clearing Member and/or Direct Clearing Client stated in the

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application accepting the conclusion of the Transactions and that such Clearing Member and/or Direct Clearing Client have accepted that it/they will act as a Clearing Member/Direct Clearing Client for the relevant party to the Transaction, and clear such Transaction (“**Credit Token**”), the Clearing House shall accept or reject the clearing of the Transaction within 10 seconds from the receipt of the application for Registration. Where the Clearing House rejects the Transaction, it shall inform the Clearing Member/Direct Clearing Client of the rejection on a real time basis. The Clearing Member/Direct Clearing Client shall inform its counterparties to the Transaction (if any) about the rejection as soon as it has been informed by the Clearing House.

The Clearing House relies on the accuracy of all details in the application for Registration submitted through the Approved Affirmation Platform, including the Credit Token. It is neither able or obligated to verify that the details of the individual Transaction received properly reflects the terms of the original transaction entered into by the parties. Nor can the Clearing House verify that the respective Clearing Member/Direct Clearing Client, as indicated by the Credit Token, submitted to the Clearing House via the Approved Affirmation Platform, has actually approved that it will act as a Clearing Member for the respective party with respect to such original transaction and the resulting CCP transaction, prior to clearing such transaction.

Accordingly, the Clearing House does not assume any liability versus the Clearing Member/Direct Clearing Client in respect of any inaccuracies in the application for Registration submitted to the Clearing House, including, but not limited to:

- (i) if the application for Registration has not been initiated by the Client or Customer stated as party to the trade in the application for Registration;
- (ii) if the respective Clearing Member/Direct Clearing Client has in fact not approved, outside the Clearing System and prior to the conclusion of the original transaction, that it will act as a Clearing Member/Direct Clearing Client for such party with respect to the original transaction and the resulting Transaction and clear such Transaction, as indicated by the Credit Token; and
- (iii) if the Credit Token is incorrect or incomplete or should not have been created.

2.4.4a Transactions in Generic Rates Instruments shall not be Registered and resulting Contracts shall not be Recorded on a Clearing Account or Integrated Trading and Clearing Account held by a Clearing Member that has not entered into a Default Management Commitment. Moreover, Transactions in such Instruments executed on behalf of a Customer may only be Registered on a Direct Clearing Client’s Direct Clearing Account which is administered by a Clearing Member or Direct Clearing Agent that has entered into a Default Management

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Commitment. A Trading Account for Generic Rates Instruments must be connected to a Clearing Account administered by a Clearing Member that has entered into a Default Management Commitment. If a Transaction in respect of a Generic Rates Instrument is submitted in breach hereof, the Registration of the Transaction and Recording of the resulting Contracts shall be void ab initio and the Transaction giving rise to the Contracts shall be regarded as never have been Registered. In such case, the Clearing House shall notify the affected Clearing Member(s), Direct Clearing Agent(s) or Direct Clearing Client(s) of such failure to Register the Transaction. The Clearing House shall have no liability to the Clearing Member(s), Direct Clearing Agent(s) or Direct Clearing Client(s) or any of their Clients or Customers for taking such action or abstaining from taking any such action.

- 2.4.4b Transactions in Custom Basket Forwards shall not be Registered and resulting Contracts shall not be Recorded on a Clearing Account or Integrated Trading and Clearing Account held by a Clearing Member that has not entered into a Close-Out Provider Agreement. Moreover, Transactions in such Custom Basket Forwards executed on behalf of a Customer may only be Registered on a Direct Clearing Client's Direct Clearing Account which is administered by a Clearing Member or Direct Clearing Agent that has entered into a Close-Out Provider Agreement. A Trading Account for Custom Basket Forwards must be connected to a Clearing Account administered by a Clearing Member that has entered into a Close-Out Provider Agreement. If a Transaction in respect of a Custom Basket Forward is submitted in breach hereof, the Registration of the Transaction and Recording of the resulting Contracts shall be void ab initio and the Transaction giving rise to the Contracts shall be regarded as never have been Registered. In such case, the Clearing House shall notify the affected Clearing Member(s), Direct Clearing Agent(s) or Direct Clearing Client(s) of such failure to Register the Transaction. The Clearing House shall have no liability to the Clearing Member(s), Direct Clearing Agent(s) or Direct Clearing Client(s) or any of their Clients or Customers for taking such action or abstaining from taking any such action.

- 2.4.5-8 [Intentionally left blank]

Miscellaneous

- 2.4.9 Applications for Registration submitted via the Clearing Member's, Direct Clearing Agent's or Direct Clearing Client's electronic connection may only be made when the Clearing System is open.
- 2.4.10 Applications for Registration that reach the Clearing House when the Clearing System is open and that are accepted by the Clearing House shall be Registered on the same Bank Day. Applications for Registration that reach the Clearing House at other times shall be Registered by the Clearing House on the following Bank Day. The aforementioned shall apply to

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applications for Registration submitted when the Clearing System is open but in respect of which, at the time of the application, there is insufficient data for the Clearing House to determine whether the application shall be accepted.

- 2.4.10a The following shall only apply to applications for Registration in Generic Rate Instruments and Transactions in respect of contract specifications in Sections C.7, C.8 and C.9 of Chapter C.

As soon as an application for Registration has been confirmed in accordance with Section 2.4.4, the Clearing House shall carry out Prenovation Checks.

If the relevant Prenovation Checks are passed, the Clearing House shall approve the application, Register the relevant Transaction and Record the corresponding Contracts.

If any relevant Prenovation Check is not passed, the Clearing House shall immediately notify the relevant Clearing Member(s), Direct Clearing Client(s) or Direct Clearing Agent(s), as applicable, and inform them that the relevant Transaction will be Rejected (as defined in section 2.4.11).

Where the Rejection is due to a technical or clerical problem, the Transaction can be submitted for clearing once more within one hour from the previous submission in the form of a new Transaction but with the same economic terms, provided that both counterparties have agreed to the second submission.

Once the Clearing House has notified a Clearing Member or Direct Clearing Client (in respect of Customer Accounts, the relevant Direct Clearing Agent), that the Prenovation Check has failed in accordance with the above, extra Collateral may be posted.

If, after the Clearing House has notified a Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, that the Prenovation Check has failed in accordance with this section 2.4.10a, and the Transaction is resubmitted for clearing once more within one hour from the previous submission in the form of a new Transaction, and the Clearing House re-runs Prenovation Checks and they are passed, the Clearing House shall approve the application, Register the relevant Transaction and Record the corresponding Contracts.

Even if the Prenovation Checks have failed, the Clearing House shall approve the application, Register the Transaction and Record the corresponding Contracts if the Transaction reduces the overall Margin Requirement.

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Any rejection under this paragraph shall be treated as a Rejection under (and as defined in) section 2.4.11. In the event of a rejection hereunder, the Clearing House shall as soon as practical notify the affected Clearing Members, Direct Clearing Client or Direct Clearing Agents (as applicable).

Once an application for Registration has been approved, the relevant Transaction has been Registered and the corresponding Contracts have been Recorded following Prenovation Checks in accordance with this section 2.4.10a, it cannot be rejected by the Clearing House under section 2.4.11.

2.4.10b In connection with any Prenovation Check in respect of an application for Registration on an Individual Client Segregated Account for which the Clearing Member has assigned an Intraday Funding Collateral Custody Account, the Clearing House will, to the extent such Registration would result in a Collateral Deficiency on the relevant Margin Requirement Account, count such Collateral Deficiency against any Collateral available on such Intraday Funding Collateral Custody Account. When determining whether there is Collateral available on an Intraday Funding Collateral Custody Account to pass such Prenovation Check, the Clearing House will take into account any intraday Collateral Deficiency on any and all Individual Client Segregated Accounts for which such Intraday Funding Collateral Custody Account has been assigned. Any Collateral held on an Intraday Funding Collateral Custody Account shall not remove the Clearing Member's obligation to provide Collateral to meet any obligation in respect of an End of Day Margin Determination, Intra-Day Margin Requirement or Extraordinary Margin Requirement (by posting Collateral on its regular Collateral Custody Accounts) as issued by the Clearing House from time to time and as further set out in Sections 2.8.15-2.8.17a.

2.4.11 Subject to Section 2.4.10a, the Clearing House may reject a request for Registration (a "Rejection") in respect of a Transaction entered for clearing (the "Rejected Transaction") where, in the Clearing House's opinion, Registration would violate the Clearing Rules or sound clearing operations. In the event of a Rejection, the Clearing House shall immediately notify either (i) the member or Direct Clearing Agent (if only one of the parties to the Rejected Transaction is a Clearing Member or Direct Clearing Client, in which case such party shall be the "Affected Party"), or (ii) both members and/or Direct Clearing Agents (if both parties to the Rejected Transaction are members and/or Direct Clearing Clients, in which case both parties jointly shall be the "Affected Parties"). Where an Affected Party registers the Rejected Transaction in the Clearing System or through an Approved Affirmation Platform, the Rejection shall immediately be notified to the Affected Party by the Clearing House following the attempted technical registration of the Rejected Transaction in the Clearing System; in turn, the Affected Party should inform their counterparty as soon as practically possible.

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A Rejected Transaction will, unless otherwise agreed between the parties to such transaction, be subject to the terms and conditions set out in Appendix 11 of the Clearing Rules.

Where the Rejection is due to a technical or clerical problem, the Transaction can be submitted for clearing once more within one hour from the previous submission in the form of a new Transaction but with the same economic terms, provided that both counterparties have agreed to the second submission.

- 2.4.12 Registration of a Transaction in Clearing Listed Instruments that are not Exchange Listed shall have the effect which is set forth in section 2.1.4.

Conversion of a Contract in a Flexible Instrument into a Contract in a standardised Instrument

- 2.4.13 If the terms and conditions of a Contract in a Flexible Instrument become identical with the terms and conditions of an standardised Instrument as such terms and conditions are set out in the contract specifications, the Clearing Members or Direct Clearing Clients (acting through their Direct Clearing Agents) who are parties to such Contract may request to convert such Contract into a Contract in the relevant Standardised Instrument. If such request is accepted a Transaction in the relevant standardised Instrument will be executed in accordance with the Exchange Rules and the procedures established jointly by the Clearing House and the Exchange from time to time and be automatically and immediately Registered at the Clearing House in accordance with Section 2.5. These Clearing Rules, including the specific provisions in the relevant contract specification, will apply to the new Contract.

2.5 Registration of Exchange Transactions

Registration of Exchange Transactions in ETS and MPS

- 2.5.1 Exchange Transactions are automatically and immediately subject to clearing at the Clearing House through Registration, pursuant to the Exchange Rules. An Exchange Transaction executed via the ETS, in accordance with the Exchange Rules, is Registered at the Clearing House immediately after the Exchange Transaction is matched at the Exchange, whereupon a Contract is simultaneously entered into in accordance with section 2.1.8. An Exchange Transaction executed manually via MPS, in accordance with the Exchange Rules, is Registered at the Clearing House immediately following the time the Exchange Transaction is matched at the Exchange, whereupon a Contract is simultaneously entered into in accordance with section 2.1.8. The Exchange will provide the Clearing House with information of all Exchange Transactions registered in ETS or MPS, including the terms of each Exchange Transaction and the parties involved. The Clearing House shall register the Exchange Transactions on a Trading Account,

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Integrated Trading and Clearing Account or Direct Clearing Account of the relevant parties following such notification, whereby the Exchange Transaction is replaced with one or more Contracts and the Clearing Member becomes the counterparty to the Clearing House.

Registration of Exchange Transactions reported via TRF

- 2.5.2 Following acceptance by the Exchange of an Exchange Transaction, which terms have been agreed outside of ETS and MPS and reported to the Exchange in accordance with the Exchange Rules via the TRF, the Exchange will provide the Clearing House with information relating to such Exchange Transaction, including the terms of such Exchange Transaction and the identity of the parties involved in accordance with the Exchange Rules. When the Exchange Transaction has been accepted by the Exchange, such Exchange Transaction is automatically and immediately subject to clearing through Registration whereupon a Contract is simultaneously entered into in accordance with section 2.1.8 and the Clearing Member becomes the counterparty to the Clearing House.

Protests against Exchange Transactions under the Exchange Rules

- 2.5.3 Protests against Exchange Transactions may be made in accordance with, and within the time limit provided in, the Exchange Rules. Any changes or cancellation to an Exchange Transaction pursuant to the Exchange Rules will trigger a corresponding change or cancellation of the Transaction Registered (and Contract Recorded) with the Clearing House. Protests against the Registration of Transactions may be made in accordance with, and within the time limit for such Protests set forth in section 2.10.

Right of Clearing House to reject Registrations

- 2.5.4 Notwithstanding anything to the contrary in this Chapter, the Clearing House is entitled to reject a Registration of Transactions, if it determines that such Registration would violate the Clearing Rules or sound clearing operations. In the event a Registration is rejected, the Clearing House shall immediately notify the relevant Clearing Member or Direct Clearing Agent following the attempted technical registration of the Transaction in the Clearing System.

Where the Rejection is due to a technical or clerical problem, the Transaction can be submitted for clearing once more within one hour from the previous submission in the form of a new Transaction but with the same economic terms, provided that both counterparties have agreed to the second submission.

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Effect of Registration

- 2.5.5 Registration of an Exchange Transaction regarding Instruments which are traded on the Exchange shall have the effect which is set forth in section 2.1.4.

2.6 Accounts

General

- 2.6.1 Accounts with the Clearing House are categorised as House Accounts, Customer Accounts and Client Accounts depending on account holder and intended use.

A House Account is an account with a Clearing Member or Direct Clearing Client as account holder, intended for clearing of Transactions entered into by such Clearing Member or Direct Clearing Client on its own behalf.

A Customer Account is an account with a Customer as account holder, intended for clearing of Transactions entered into by a Clearing Member or Direct Clearing Agent on behalf of such Customer.

For the avoidance of doubt, a Direct Clearing Account is both a House Account and a Customer Account.

A Client Account is an account with a Clearing Member as account holder, intended for clearing of Transactions that reflect equivalent transactions made between such Clearing Member and one or more of its Clients.

Customer Accounts and Client Accounts can be used with respect to Indirect Clearing Arrangements.

Accounts are opened following a request by the Clearing Member or Direct Clearing Agent as further set out below.

Trading Accounts, Clearing Accounts, Direct Clearing Accounts and Integrated Trading and Clearing Accounts.

- 2.6.2 According to operational and technical functionalities, accounts provided by the Clearing House are called Trading Accounts, Clearing Accounts, Direct Clearing Accounts or Integrated Trading and Clearing Accounts.

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Transactions approved for Registration by the Clearing House are Registered on Trading Accounts, Direct Clearing Accounts or Integrated Trading and Clearing Accounts whereby the Transaction is replaced with one or more Contracts. Contracts that are Recorded on one or several Trading Accounts connected to a Clearing Account are Recorded on such Clearing Account. The rights and obligations of a specific account holder are also set forth on a Clearing Account or Direct Clearing Account, as applicable.

2.6.3 A Trading Account may be connected to a Clearing Account or to an Integrated Trading and Clearing Account.

2.6.4 A combined Trading and Clearing Account is referred to as an Integrated Trading and Clearing Account.

House Accounts

2.6.5 There are the following types of House Accounts: Proprietary Accounts, Market Maker Accounts and Direct Clearing Accounts. Day Accounts, Interim Accounts and APT Accounts (see section 2.6.29) may be opened and utilised as part of a House Account. The Clearing House opens the relevant House Accounts upon the execution of a Clearing Member Agreement by a Clearing Member or Direct Clearing Client Agreement by a Direct Clearing Client. The Clearing House may upon request by a Clearing Member or Direct Clearing Client review if additional House Accounts shall be opened. Such request must be submitted on a form specified by the Clearing House. The Clearing Member or Direct Clearing Client shall not Register Transactions in its House Account other than those entered into by the Clearing Member or Direct Clearing Client on its own behalf.

Proprietary Accounts

2.6.6 A Proprietary Account is an Integrated Trading and Clearing Account for the Clearing Member's clearing of Transactions entered into on its own behalf. A Clearing Member may not use the Proprietary Account for clearing of Transactions in respect of entities within the same group of companies as the Clearing Member. Such entities shall be regarded as Customers or Clients, as applicable. The transfer of Contracts on Proprietary Accounts shall take place in accordance with the rules regarding Re-registration. Set-Off and Forward Netting take place automatically.

Market Maker Accounts

2.6.7 A Market Maker Account is an Integrated Trading and Clearing Account for the Clearing Member's clearing of Transactions entered into on its own behalf in its capacity as Market Maker. The transfer of Contracts on a Market Maker Account shall take place in accordance with the rules regarding Re-registration. Set-Off and Forward Netting take place automatically.

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Margin Requirement Accounts with respect to House Accounts

- 2.6.8 The Clearing House will open at least one Margin Requirement Account for margin calculation with respect to the Clearing Member's House Accounts or Direct Clearing Client's Direct Clearing Accounts.

Customer Accounts

- 2.6.9 There is the following type of Customer Account: Direct Clearing Accounts.

The Clearing House opens accounts on behalf of a Direct Clearing Client at the request of a Clearing Member or Direct Clearing Agent, following the execution by such Customer of the relevant Customer Agreement. A Customer may have one or several Customer Accounts through the same Clearing Member or Direct Clearing Agent or through several different Clearing Members or Direct Clearing Agents.

Direct Clearing Client's Trading Account, Clearing Account, Direct Clearing Account and Margin Requirement Account

- 2.6.10 Direct Clearing Clients shall have Direct Clearing Accounts.
- 2.6.11 A Direct Clearing Client's Direct Clearing Account is an account on which Transactions entered into by a Direct Clearing Agent on behalf of such Direct Clearing Client is Registered.
- 2.6.12 The Direct Clearing Account evidences all Contracts related to Transactions Registered on the Direct Clearing Account and reflects the outstanding Contracts attributable to the Direct Clearing Client as Counterparty. The Direct Clearing Client's Direct Clearing Account must be fully collateralised by reference to the outstanding Contracts on such Direct Clearing Account, as applicable, as further set out in section 2.8.
- 2.6.13 The Clearing House will open a Margin Requirement Account for margin calculation with respect to each Direct Clearing Account.
- 2.6.14 [Deleted]
- 2.6.15 [Deleted]
- 2.6.16 [Deleted]
- 2.6.17 [Deleted]

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Client Accounts

2.6.18 There are the following types of Client Accounts: Omnibus Accounts and Individual Client Segregated Accounts (ICA). For the purposes of EMIR, the Omnibus Account is an EMIR Omnibus Account and the ICA is an EMIR Individual Segregated Account.

Day Accounts, Interim Accounts and APT Accounts may also be opened and utilised as part of any Client Account (see section 2.6.29).

The Clearing House opens the relevant Client Accounts at the request of the Clearing Member. Such request must be submitted on a form specified by the Clearing House.

A Clearing Member may also use the Client Account for clearing of Transactions in respect of entities within the same group of companies as the Clearing Member.

The Clearing House may reject requests to open Client Accounts if the Clearing House has reason to believe that, for financial, administrative or other reasons, the Clearing Member is not suitable to maintain such accounts.

Omnibus Accounts

2.6.19 An Omnibus Account is an Integrated Trading and Clearing Account for a Clearing Member's clearing of Transactions that reflect equivalent transactions made between such Clearing Member and one or more Clients or Indirect Clients that have opted for such account. The Omnibus Account evidences all Transactions Registered and all Contracts Recorded on such account and reflects the outstanding Contracts attributable to such Clients or Indirect Clients; however Collateral pertaining to the Omnibus Account (including all sub-accounts) shall not be further recorded by the Clearing House as belonging, whether by asset or by value, to any particular Client or Indirect Client, with no further sub-division or segregation as between the Omnibus Account or any one sub account or as between any Client or Indirect Client.

A Clearing Member may technically connect one or more accounts attributable to a Client, group of Clients or Indirect Clients to an Omnibus Account attributable to the same Client, Clients or Indirect Clients and such Clearing Member for administration purposes only. The Omnibus Account and all such connected accounts shall be regarded as one Omnibus Account attributable to the same Client, group of Clients or Indirect Clients and the same Clearing Member; this is without prejudice to sections 2.6.19 and 2.6.20 and the segregation requirements pertaining to such accounts under these Clearing Rules and EMIR.

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In addition, a Single-client Account shall be regarded as a sub-account of an Omnibus Account. An Omnibus Account may for these purposes include one or more Single-client Accounts.

2.6.20 A Clearing Member may operate more than one Omnibus Account. Each Omnibus Account must be fully collateralised by reference to the outstanding Contracts on such Integrated Trading and Clearing Account on a net basis across all Contracts credited to such account, but subject to section 2.6.23 in relation to Single-client Accounts that are sub-accounts of such account, as further set out in section 2.8. The Collateral provided in respect of one Omnibus Account shall not be used to collateralise or meet the losses attributable to another Omnibus Account (or any other account) or to meet the losses attributable to any Client or Indirect Client (except Clients or Indirect Clients in the same Omnibus Account), any Customer, any Clearing Member or the Clearing House.

2.6.21 Transfer of Contracts on an Omnibus Account shall take place in compliance with the regulations regarding Re-registration.

Single-client Accounts

2.6.22 A Single-client Account is an Integrated Trading and Clearing Account which shall be regarded as a sub-account of an Omnibus Account, for a Clearing Member's clearing of Transactions that reflect equivalent transactions made between such Clearing Member and an individual Client or Indirect Client that has opted for such account. The Single-client Account evidences all Transactions Registered and all Contracts Recorded on such account and reflects the outstanding Contracts attributable to such Client or Indirect Client; however Collateral pertaining to the Omnibus Account (including any connected Single-client Accounts) shall not be further recorded by the Clearing House as belonging, whether by asset or by value, to any particular Client or Indirect Client, with no further sub-division or segregation as between any one sub-account or Single-client Account or as between any Client or Indirect Client. For the avoidance of doubt, a Single-client Account will be established for each Indirect Client with Transactions Registered and Contracts Recorded in a Gross Omnibus Segregated Account (GOSA).

A Clearing Member may technically connect one or more accounts held for an individual Client or Indirect Client to a Single-client Account held for that same individual Client or Indirect Client for administration purposes. The Single-client Account and all such connected accounts shall be regarded as one Single-client Account held for that same individual Client or Indirect Client and this is without prejudice to section 2.6.23 and the segregation requirements pertaining to such accounts under these Clearing Rules and EMIR.

2.6.23 A Clearing Member must operate one Single-client Account for each Client or Indirect Client that has opted for such account. Each Single-client Account must be fully collateralised by reference to the outstanding Contracts on such Integrated Trading and Clearing Account as

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further set out below and in section 2.8. In the event that a Client or Indirect Client has more than one Single-client Account with different Clearing Members, the Clearing House shall not be entitled to combine or consolidate the balances on a Single-client Account held with one Clearing Member with or into the balances on a Single-client Account (or on any other account) held with a different Clearing Member.

Collateral in respect of a Single-client Account shall be provided on a net basis across all Contracts credited to the Single-client Account, despite Collateral in respect of an Omnibus Account otherwise being provided on a net basis across the Omnibus Account as a whole. Therefore, when determining the Margin Requirement in respect of an Omnibus Account, there will be no netting in respect of Contracts credited to two (or more) separate Single-client Accounts that are sub-accounts of the same Omnibus Account or in respect of Contracts credited to a Single-client Account and the Omnibus Account for which it is a sub-account.

As Collateral in respect of an Omnibus Account is provided on an aggregate basis, the Clearing House will not recognise the interests of the Client or Indirect Client holding a Single-client Account to any particular assets, as these assets will be posted on the Collateral Custody Account opened for the Omnibus Account as a whole, for which there is no segregation by Client or Indirect Client. This means that Collateral provided in respect of a Single-client Account may be used to cover losses of Clients or Indirect Clients within the Omnibus Account as a whole. Accordingly, this account is regarded as an EMIR Omnibus Account, and a Client or Indirect Client that has opted for a Single-client Account will not be protected from the default of other Clients or Indirect Clients within the same Omnibus Account to which such Single-client Account relates.

- 2.6.24 Transfer of Contracts on a Single-client Account shall take place in compliance with the regulations regarding Re-registration.

Individual Client Segregated Accounts (ICA)

- 2.6.25 An Individual Client Segregated Account is an Integrated Trading and Clearing Account for a Clearing Member's clearing of Transactions that reflect equivalent transactions made between such Clearing Member and an individual Client that has opted for such account. The Individual Client Segregated Account evidences all Transactions Registered and all Contracts Recorded on such account and reflects the open positions attributable to such individual Client.

A Clearing Member may technically connect one or more accounts held for an individual Client to an Individual Client Segregated Account held for that same individual Client for administration purposes only. The Individual Client Segregated Account and all such connected accounts shall be regarded as one Individual Client Segregated Account held for the same

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individual Client and this is without prejudice to section 2.6.26 and the segregation requirements of such accounts under these Clearing Rules and EMIR.

2.6.26 A Clearing Member must operate one Individual Client Segregated Account for each Client that has opted for such account. Each Individual Client Segregated Account must be fully collateralised by reference to the outstanding Contracts on such account as further set out in section 2.8. In the event that a Client has more than one Individual Client Segregated Account with the same or different Clearing Member, the Clearing House shall not be entitled to combine or consolidate the balances on such Individual Client Segregated Account (or on any other account). Moreover, the specific Collateral provided in respect of one Individual Client Segregated Account shall not be used to collateralise or to meet the losses attributable to another such Individual Client Segregated Account (or any other account) or to meet the losses attributable to another Client, any Customer, any Clearing Member or the Clearing House and the Clearing House shall keep separate records and accounts enabling each Clearing Member to distinguish the Collateral held for one Individual Client Segregated Account from the Collateral for any other Client's Individual Client Segregated Account.

2.6.27 Transfer of Contracts on an Individual Client Segregated Account shall take place in compliance with the regulations regarding Re-registration.

Margin Requirement Accounts in respect of Client Accounts

2.6.28 The Clearing House will open a Margin Requirement Account for margin calculation with respect to each of the Clearing Member's Omnibus Accounts and Individual Client Segregated Accounts.

Day Accounts, Interim Accounts and APT Accounts

2.6.29 In addition to the above, the Clearing House may set up one or several Day Accounts, Interim Accounts and APT Accounts for a Clearing Member. Such accounts may be designated as a House Account or Client Account, as agreed between the Clearing Member and the Clearing House in each case.

The set up of one or several Day Accounts, Interim Accounts and APT Accounts is without prejudice to the segregation requirements pertaining to Client Accounts and Customer Accounts under these Clearing Rules and EMIR.

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Day Accounts

- 2.6.29.1 A Day Account is an Integrated Trading and Clearing Account for the temporary Registration of Transactions. A Transaction is Registered on a Day Account unless another account is designated by the Clearing Member.
- 2.6.29.2 Contracts Recorded on the Day Account at the close of a Bank Day are automatically transferred to the Interim Account or other account designated by the Clearing Member. Such transfer takes place 120 minutes after the final time for trading in the relevant Series on the relevant Bank Day. Any subsequent transfer of Contracts shall take place in accordance with the rules regarding Re-registration.

Interim Accounts

- 2.6.29.3 An Interim Account is an Integrated Trading and Clearing Account for the temporary Registration of Transactions. A Contract may, however, be Recorded on an Interim Account during the Term of the Contract. Exercise and other events relating to Contracts may thus take place on an Interim Account. The transfer of Contracts on Interim Accounts shall take place in accordance with the rules regarding Re-registration. Set-Off and Forward Netting do not take place automatically.

APT Accounts

- 2.6.29.4 An APT Account (Average Price Trading) is an Integrated Trading and Clearing Account for the calculation of average prices relating to Transactions Registered on another account than the APT Account. In conjunction with the calculation of average prices, the Clearing Member temporarily transfers the relevant Contract to the APT Account for the average calculation, following which the Contract is automatically transferred back to the originating account. The account is free of charge but the Clearing Member is liable for rounding off differences that may arise in conjunction with the creation of an average transaction. Only Transactions Registered on the same day may be transferred to an APT Account. The average price calculation shall not include both trades cleared according to section 2.4.3a and Exchange Transactions in Instruments that are both Exchange Listed and Clearing Listed. In case the average price needs to be calculated for trades cleared according to section 2.4.3a, such calculation shall be done separately from the calculation done with respect to Exchange Transactions in Instruments that are both Exchange Listed and Clearing Listed.

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Right of access to information

- 2.6.30 A Clearing Member shall be entitled to obtain necessary information relating to Allocation Accounts which are connected to the Clearing Member's Receiving Account.
- 2.6.31 A Clearing Member shall be entitled to obtain necessary information relating to Receiving Accounts which are connected to the Clearing Member's Allocation Account if the Clearing Member and the member which is the account holder of the Receiving Account have agreed on such right of access to information and submitted such request to the Clearing House.

The set-up between an NCM and a GCM

- 2.6.32 The Clearing House shall approve the technical set-up between the NCM and the GCM regarding the GCM's administration of the NCM's accounts. A request for a specific set-up shall be made in writing to the Clearing House in accordance with instructions issued by the Clearing House.

Indirect Clearing Accounts

- 2.6.33 At the request of a Clearing Member, the Clearing House shall open and maintain any of the following types of Indirect Clearing Accounts: Net Omnibus Segregated Account (NOSA), Gross Omnibus Segregated Account (GOSA).

The relevant Clearing Member shall ensure that the Indirect Clients' margin and positions are segregated on separate Indirect Clearing Accounts from the relevant Client's and Customer's margin and positions.

When the margin and positions of several Indirect Clients are held by the Clearing Member in a Gross Omnibus Segregated Account, the Clearing Member shall ensure that the Clearing House has all the necessary information to allow the Clearing House to identify the positions held for the account of each Indirect Client on a daily basis. The Clearing Member shall also provide information to the Clearing House with respect to Net Omnibus Segregated Account when requested to do so. Such requests may also include information with respect to Indirect Clients, Second Indirect Clients or Third Indirect Clients further down the chain, which the Clearing Member shall provide on a best effort basis.

Where the margin and positions of several Indirect Clients are held by the Clearing House in a Gross Omnibus Segregated Account, the Clearing House shall keep separate records of the positions of each Indirect Client, calculate the Margin Requirement in respect of each Indirect Client and collect the sum on a gross basis.

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Where the margin and positions of several Indirect Clients are held by the Clearing House in a Gross Omnibus Segregated Account, the Clearing Member shall ensure that the positions of an Indirect Client do not offset the positions of another Indirect Client.

2.7 Re-registration, Give Up/Take Up and Allocation

2.7.1 A Contract may, under certain conditions, be Re-registered to another Clearing Account, Integrated Trading and Clearing Account. In addition, liability for a Contract may be transferred through Give Up to or from an account relating to another Clearing Member. Moreover, a Contract that is Recorded on an Allocation Account may, under certain conditions, be Allocated to a Client Account.

2.7.2 This section 2.7 is applicable for Instruments that are both Exchange Listed and Clearing Listed,. For Instruments that are only Clearing Listed the provisions of section 2.10.3 are applicable instead.

Re-registration

General

2.7.3 A Contract that is Recorded on a Clearing Account, Direct Clearing Account or on an Integrated Trading and Clearing Account may be Re-registered upon request by the Direct Clearing Agent or Direct Clearing Client, as applicable. Re-registration must be requested by a Clearing Member, Direct Clearing Agent or Direct Clearing Client on a form determined by the Clearing House or via the Clearing Member's, Direct Clearing Agent's or Direct Clearing Client's electronic connection to the Clearing System. Such a request must reach the Clearing House within the time limits prescribed in section 2.7.9, 2.7.10 or 2.7.11, as applicable.

Re-registration as a consequence of Registration of the wrong account holder or between a Clearing Member's own accounts

2.7.4 Re-registration as a result of Registration in the name of the wrong Customer (i.e. on a different Customer Account administered by the same Clearing Member or Direct Clearing Agent) or between a Clearing Member's or Direct Clearing Agent's own accounts (including, for the avoidance of doubt, its Client Accounts) entails the cancellation of the Contract on the original Clearing Account, Integrated Trading and Clearing Account or Direct Clearing Account, as applicable, simultaneously with the Registration of a corresponding Contract on another Clearing Account, Integrated Trading and Clearing Account or Direct Clearing Account. Such Re-registration is permitted provided the following conditions are satisfied:

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- (i) The Transaction has been mistakenly Registered, or the Contract has been mistakenly Recorded in the name of the wrong Customer or a Clearing Member requests to transfer a Contract between its own accounts (including, for the avoidance of doubt, its Client Accounts); and
- (ii) Re-registration takes place to an account held by the same Clearing Member or Direct Clearing Client or a Customer Account administered by the same Clearing Member or Direct Clearing Agent.

Re-registration between a Customer's own accounts or between Client Accounts, etc.

2.7.5 Re-registration between a Customer's own accounts entails a Contract being transferred to another account administered by the same or another Clearing Member or Direct Clearing Agent. The Clearing Members and Direct Clearing Agents shall certify that the Re-registration relates to the same Customer and that such Customer has instructed or consented to such Re-registration, and the Clearing Member or Direct Clearing Agent which administers the Customer Account to which Re-registration is made shall approve the Re-registration. Where the Re-registration relates to a transfer between two Customer Accounts administered by two different Clearing Members or Direct Clearing Agents, the Clearing House furthermore reserves the right to verify that the Re-registration relates to the same Customer.

2.7.6 In conjunction with Re-registration between two Client Accounts held by separate Clearing Members, the Clearing Members affected shall certify to the Clearing House that the Re-registration relates to the same Client(s). The Clearing Member which holds the account to which Re-registration shall be made shall also approve the Re-registration.

2.7.7 In addition to the cases referred to in section 2.7.5 and 2.7.6, Re-registration is permitted between accounts held by different Customers or Clients where such Re-registration is occasioned by inheritance, gift, division of the joint property or bequest. In such cases, the account administrator must certify to the Clearing House that the Re-registration is occasioned by inheritance, gift, division of the joint property or bequest, as applicable.

2.7.8 [Intentionally left blank]

Times for Re-registration

2.7.9 In order to process a request for Re-registration on the same day, it needs to reach the Clearing House prior to the closing of the Clearing System.

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Deviations from this requirement may occur and, in such cases, are specifically stated in the contract specification governing the Contract.

2.7.10 A request for Re-registration as a consequence of Registration of the wrong account holder or between a Clearing Member's or Direct Clearing Client's own accounts and which relates to Re-registration between the accounts stated below and which is not received on the Expiration Day for the Contract must be received by the Clearing House prior to the closing of the Clearing System at the latest two Bank Days after Registration in order for Re-registration to take place.

- (i) Proprietary Account to:
 - a) Customer's Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account; or
 - b) Interim Account

- (ii) Market Maker Account to:
 - a) Customer's Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account; or
 - b) Interim Account

2.7.11 Requests for Re-registration that reach the Clearing House on the Expiration Day for the Contract shall not be processed where such a request is submitted after the time of closing of the Clearing System.

Change of status

2.7.12 A member that wishes to change status on an Exchange Transaction or a Transaction from buy to Set-Off, or from issuance to Set-Off on the same account relating to a Registered Option Contract or from Futures Contract, or from buy to Forward Netting or from issuance to Forward Netting on the same account relating to a Registered Forward Contract, must request the same prior to the closing of the Clearing System on the Expiration Day for the Contract.

Give Up and Take Up

2.7.13 'Give Up' means that a Clearing Member's or Direct Clearing Client's liability for a Contract Recorded on a Clearing Account, Direct Clearing Account or on an Integrated Trading and Clearing Account is assumed by another Clearing Member or Direct Clearing Client at the Clearing House. 'Take Up' means that a Clearing Member or Direct Clearing Client assumes liability for a Contract from another Clearing Member or Direct Clearing

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Client at the Clearing House. Give Up may take place in accordance with any of the following:

- (i) Through a Contract Recorded on a Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account being transferred to and Recorded on an account at the Clearing House designated by the receiving Clearing Member or Direct Clearing Client, following confirmation by the receiving Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent).
- (ii) Through connecting a Clearing Member's or Direct Clearing Client's account at the Clearing House, after the request of the Clearing Members or Direct Clearing Client in question and the approval of the Clearing House, to another Clearing Member's or Direct Clearing Agent's account. In such cases, Give Up takes place when the Contract is Recorded at the receiving Clearing Member's or Direct Clearing Client's account.

2.7.14 Clearing Members and Direct Clearing Clients (acting through their Direct Clearing Agents) who wish to request Give Up of a Contract Recorded at the Clearing House must send such request to the Clearing House prior to the closing of the Clearing System where the request is submitted via the Clearing Member's, Direct Clearing Agent's or Direct Clearing Client's electronic connection and on the following two Bank Days.

A request for Give Up that reaches the Clearing House on the Expiration Day for the Contract must, however, be submitted to the Clearing Member's, Direct Clearing Agent's or Direct Clearing Client's electronic connection not later than 30 minutes prior to the closing of the Clearing System the same day. Give Up is allowed where the receiving Clearing Member or Direct Clearing Client confirms, electronically, the assumption of liability for the Contract and, in such cases as referred to in section 2.7.13 (i), such confirmation is provided not later than the closing of the Clearing System in the relevant Series on the same day. Take Ups are considered automatically confirmed by the receiving Clearing Member or Direct Clearing Client where such party has separately requested automatic Take Up to apply in respect of one or several accounts.

Subject to the first paragraph of this section 2.7.14, where a Clearing Member or Direct Clearing Client submits a request for Give Up later than on the day on which the corresponding Transaction was executed, the Clearing Member or Direct Clearing Client will be required to advance the payment of the Premium and the fee, but will receive a payment of the equivalent amount on the next Bank Day.

2.7.15 [Intentionally left blank]

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2.7.16 In the event of Give Up, the transferring Clearing Member or Direct Clearing Client shall continue to be liable against the Clearing House in accordance with the Clearing Rules relating to the relevant Contracts until such time as the receiving Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) confirms assumption of liability and the Contract is Recorded on the receiving Clearing Member's or Direct Clearing Client's account with the Clearing House. In conjunction with Take Up, the Clearing Member or Direct Clearing Client shall become liable when the Contract is Recorded on the designated account at the Clearing House. In the event of Take Up which takes place after the closing of ETS the liability is stipulated in section 2.12.8.

Allocation

2.7.17 In the Clearing Rules, "Allocation" means that Contracts Recorded on one or several Allocation Accounts at one Clearing Member automatically are Recorded on a Receiving Account at another Clearing Member. Such Allocation Account(s) at one Clearing Member and Receiving Account at another Clearing Member are connected through the relevant Clearing Members entering into an Allocation Agreement provided by the Clearing House.

2.7.18 In the event of Allocation, the liability provisions in section 2.12 shall apply together with the provisions in the Allocation Agreement.

2.8 Collateral

General

2.8.1 Customers, Clearing Members and Direct Clearing Agents must provide Collateral for undertakings made in the clearing operations.

2.8.2 The Collateral approved by the Clearing House is set forth in the Collateral List in force from time to time. The Clearing House may prescribe limits with respect to certain Collateral to mitigate concentration risk. The Collateral List also sets forth the haircut to be made in conjunction with the valuation of provided Collateral.

2.8.2a The value of any Collateral provided to the Clearing House shall be determined by the Clearing House in accordance with the parameters and haircuts as set out in the Collateral List. The Clearing House's normal procedures for changes to the Collateral List provide that changes enter into force not earlier than one week after the Clearing House has notified a decision with respect to such change. However, the Clearing House reserves the right to make changes to the Collateral List at any time (including with immediate effect) upon giving notice, if the Clearing House deems that such change is necessary.

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2.8.2b The Clearing House is entitled to require each Clearing Member and Direct Clearing Client to comply with a Locked Currency Limit(s) for each relevant Permitted Currency with respect to each of its relevant Collateral Custody Account(s). Such Locked Currency Limit(s) shall specify the minimum amount, in the relevant Permitted Currency, that each Clearing Member or Direct Clearing Client must hold in its Collateral Custody Account(s) at all times.

Provision of Collateral by Customers

2.8.3 Direct Clearing Clients (acting through their Direct Clearing Agents) provide Collateral directly to the Clearing House.

2.8.4 [Deleted]

2.8.5 [Deleted]

Provision of Collateral by Clearing Members

2.8.6 A Clearing Member shall at all times provide Collateral directly to the Clearing House in respect of its House Accounts and its Client Accounts administered by the Clearing Member.

Collateral Custody Accounts

2.8.7 Collateral shall be provided on Collateral Custody Accounts opened with the Clearing House in accordance with the Collateral Custody Account Agreement.

A Direct Clearing Client (acting through its Direct Clearing Agent) or Clearing Member must open at least one Collateral Custody Account for provision of Collateral in respect of each Margin Requirement Account opened for it in accordance section 2.6. A Clearing Member or a Direct Clearing Client may post more Collateral to the Clearing House (to be held on the Collateral Custody Account) than is required pursuant to the determinations of the Clearing House in respect of the relevant Margin Requirement Account. Such excess Collateral shall be treated in accordance with the Clearing Rules on the same basis as all Collateral provided in respect of such Margin Requirement Account. In addition, a Clearing Member may open one or more Intraday Funding Collateral Custody Accounts for the purposes set out in Sections 2.4.10b.

Collateral provided to the Clearing House by a Direct Clearing Client (through its Direct Clearing Agent) in respect of its Direct Clearing Account, or Clearing Member in respect of its House Accounts, Omnibus Accounts or Individual Client Segregated Accounts or on any

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Intraday Funding Collateral Custody Account, as applicable, shall be recorded by asset in the Collateral Custody Account, meaning that the Clearing House will record on a Collateral Custody Account the particular asset transferred in respect of that account.

Other than in respect of the provision of Collateral pursuant to the Cash Optimization Service, when providing Collateral to the Clearing House, the Clearing Member or Direct Clearing Client shall also provide the Clearing House with the Collateral Custody Account number to which such Collateral relates. If a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) does not provide a Collateral Custody Account number to the Clearing House, the Collateral will not be taken into account for the purpose of calculating the Collateral Sum in respect of any Margin Requirement Account of that Clearing Member or the relevant Direct Clearing Client.

Collateral provided to the Clearing House by a Clearing Member in respect of its Omnibus Accounts administered by such Clearing Member (or, for the avoidance of doubts, on any Intraday Funding Collateral Custody Account, see further Section 2.8.8a,) shall not be recorded by the Clearing House as belonging, whether by asset or by value, to any particular Client.

2.8.7a Each Clearing Member and Direct Clearing Client (acting through its Direct Clearing Agent) must, at all times, hold in its Collateral Custody Account(s) Cash Collateral in each relevant Permitted Currency in an amount at least equal to its Locked Currency Limit for each such Permitted Currency.

2.8.8 As further set out in the Collateral Custody Account Agreement, Collateral in the form of securities is pledged in favour of the Clearing House and Collateral in the form of cash is deemed transferred by way of security (*Sw: säkerhetsöverlåtelse*) to the Clearing House.

Intraday Funding Collateral Custody Accounts

2.8.8a Subject to the second paragraph below, Collateral provided on an Intraday Funding Collateral Custody Account is not considered to be provided in respect of a specific Client Account, but shall be available for the Clearing House to cover all present and future obligations of the relevant Clearing Member, first in respect of its House Account(s) and second, to the extent such obligations and liabilities are not covered by Collateral otherwise available to the Clearing House, in respect of each Client Account for which such Intraday Funding Collateral Custody Account has been assigned.

Notwithstanding the above, in cases where the Clearing Member has requested an Intraday Funding Collateral Custody Account to be assigned to one single Client Account, all

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Collateral provided on such Intraday Funding Collateral Custody Account shall instead be considered to be provided in respect of that Client Account only. Collateral on such Intraday Funding Collateral Custody Account will be treated in the same way as Collateral on the regular Collateral Custody Account associated with that Client Account for the purposes of these Clearing Rules and EMIR.

2.8.9 [Intentionally left blank]

General pledge in favour of the Clearing House

2.8.10 Under the Clearing Member Agreement and the Customer Agreement, respectively, Clearing Members and Customers have pledged in favour of the Clearing House any and all claims against the Clearing House related to Contracts Recorded on the Clearing Member's or Customer's accounts.

2.8.11 The following shall apply to the enforcement of the general pledge which has been made in the Clearing Member Agreement or Customer Agreement, as applicable. Collateral under the general pledge shall be enforced, as a first resort, with respect to obligations relating to the account on which the respective Contract is Recorded. In the event the account is still in deficit after set-off, enforcement of other collateral, the Clearing House shall be entitled to set off the deficiency against any surplus after set-off or which has arisen on another account in respect of the same Clearing Member and/or Customer. The general pledge, including any set-off provisions, shall not be utilised in such a manner so as to override the segregation requirements pertaining to Client Accounts and Customer Accounts under these Clearing Rules and EMIR.

Determination of Margin Requirement, Collateral Sum and Provision of Collateral

2.8.12 The Clearing House shall calculate a Margin Requirement for each Margin Requirement Account in respect of the End of Day Margin Determination and otherwise regularly during each Clearing House Business Day. In each case, the Margin Requirement is calculated with reference to all Contracts Recorded on the relevant Clearing Accounts, Direct Clearing Accounts and/or Integrated Trading and Clearing Accounts associated with the Margin Requirement Account. The Clearing House may calculate the Margin Requirement on the aggregated net of several House Accounts or Direct Clearing Accounts where such are held by the same Clearing Member or Direct Clearing Client, respectively.

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- 2.8.13 The Margin Requirement shall be calculated in accordance with the model applied by the Clearing House from time to time. Upon request the Clearing House shall provide free of charge a description of the relevant model and the calculation method.
- 2.8.14 The amount of the Margin Requirement is based on the parameter values determined for the relevant Instrument in the Parameter Value List. The Clearing House's normal procedures for changes to the Parameter Value List provide that changes enter into force not earlier than one week after the Clearing House has notified a decision with respect to such change. However, the Clearing House reserves the right to make changes to the Parameter Value List at any time (including with immediate effect) upon giving notice, if the Clearing House deems that such change is necessary.
- 2.8.14a If the Margin Requirement is positive, there shall *prima facie* arise an obligation on the Clearing House to pay an amount to the Clearing or Direct Clearing Client equal to the positive Margin Requirement. Notwithstanding the foregoing, the Clearing House shall not be required to make any such payment to the Clearing Member or Direct Clearing Client unless section 1.10.7 or 1.10.8 applies.
- 2.8.14b In respect of each Margin Requirement Account, the Clearing House shall calculate the Collateral Sum of the Collateral Custody Account linked to such Margin Requirement Account in respect of the End of Day Margin Determination and otherwise regularly during each Clearing House Business Day.
- 2.8.14c The Clearing House shall, further to each determination of a Margin Requirement and the Collateral Sum in respect of any Margin Requirement Account, determine whether there is a Collateral Surplus or a Collateral Deficiency in respect of such Margin Requirement Account. Where there is a Collateral Surplus, Collateral may be returned to the relevant Clearing Member or Direct Clearing Client in accordance with section 2.8.21; where there is a Collateral Deficiency, the relevant Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) shall provide Collateral to the Clearing House in accordance with section 2.8.20.

Notwithstanding anything to the contrary in sections 2.8.12-2.8.14d, to determine the aggregate total Collateral Surplus or Collateral Deficiency in respect of a Margin Requirement Account, the Margin Requirement and the Collateral Sum shall each be calculated per relevant Permitted Currency and the Clearing House shall convert each such Margin Requirement less each such Collateral Sum into the Base Currency at the FX rate determined by the Clearing House in its discretion, applying the relevant haircuts as specified in the Collateral List.

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The Base Currency shall be elected by each Clearing Member, Direct Clearing Agent or Direct Clearing Client in the CMS System. Each Clearing Member, Direct Clearing Agent or Direct Clearing Client may make a request at any time, via the CMS System, to change the Base Currency.

2.8.14d In making any determination as to the Collateral Sum, the Clearing House shall use the market price of the relevant instrument as at the time set out in the Collateral List on the Clearing House Business Day in respect of any End of Day Margin Determination and as at the time set out in the Collateral List on the Clearing House Business Day prior to the day on which any such other determinations are made, unless in each case the Clearing House in its absolute discretion determines otherwise. Unless otherwise stated in the Collateral List, the Clearing House shall take the market price of each such instrument from such publicly available sources as the Clearing House determines in its discretion is appropriate.

2.8.15 The Clearing House shall, in respect of any End of Day Margin Determination, on each Clearing House Business Day provide the Clearing Member, Direct Clearing Agent or Direct Clearing Client with a Margin Requirement Report. If there is a Collateral Deficiency in relation to such Margin Requirement Report, the Clearing Member, Direct Clearing Agent or Direct Clearing Client shall provide Collateral to the value of such Collateral Deficiency by the End of Day Margin Delivery Time. Unless otherwise agreed, the Margin Requirement Report shall be provided by the Clearing House to the Clearing Member, Direct Clearing Agent or Direct Clearing Client not later than 8.00 a.m. A failure to provide any such Margin Requirement Report at the requisite time shall not invalidate the requirement of the Clearing Member, Direct Clearing Agent or Direct Clearing Client to provide Collateral in accordance with such determination.

2.8.16 The Clearing House may at its own discretion notify a Clearing Member, Direct Clearing Agent or Direct Clearing Client of an Intra-Day Margin Requirement. Where so determined, the Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) shall provide Collateral corresponding to the value of the Collateral Deficiency not later than 90 minutes after the Clearing House has made its determination of the need to provide an Intra-Day Margin Requirement. A failure to provide such notice at the requisite time shall not invalidate the ability of the Clearing House to request such Collateral nor the requirement of the Clearing Member or Direct Clearing Client to provide Collateral.

If the relevant risk exposure is significantly reduced within 90 minutes of the determination of an Intra-Day Margin Requirement made in accordance with the

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preceding paragraph, the Clearing Member or the Direct Clearing Agent may request that the Clearing House recalculate the Intra-Day Margin Requirement, which request the Clearing House may accept or not in its absolute discretion. Following any such recalculation, the Clearing House shall notify the Clearing Member or Direct Clearing Agent of the revised Intra-Day Margin Requirement. The Clearing Member or the Direct Clearing Client (acting through the Direct Clearing Agent) shall provide Collateral to the value of the Collateral Deficiency pursuant to such revised Intra-Day Margin Requirement to the Clearing House, such Collateral to be provided not later than the time the relevant Collateral was to have been made in accordance with the preceding paragraph.

2.8.17 The Clearing House may issue an Extraordinary Margin Requirement to a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) if the Clearing House decides that special circumstances so requires, including, but not limited to (i) increase in market share (ii) breach of any membership criteria set out in Section 2.2 (iii) matters that indicate a higher credit risk in respect of the Account Holder (e.g., not meeting the required Credit Scores as per the Credit Scoring Guidelines) (iv) breach of an exposure limit applicable to such Account Holder, as provided for in the Exposure Limit Guidelines (v) matters that indicate a higher financial crime risk in respect of the Account Holder (e.g., not meeting the required FC Scores as per the FC Risk Scoring Guidelines) (vi) matters that indicate early warnings in respect of 2.8.17 (ii), (iii),(iv) and (v), e.g. late payments, information that demonstrates adverse results, sanctions, high exposure limit utilization, deterioration of Credit Scores as per the Credit Scoring Guidelines; (v) failure to provide information in accordance with section 1.7; (vi) the Clearing House's margin model validation program (including back testing, stress testing and sensitivity testing) in the Clearing House's opinion indicates that the previously notified Margin Requirement does not cover the true risk exposure and/or (vii) any such other circumstances as are regarded by the Clearing House, in its sole discretion, as requiring the application of an Extraordinary Margin Requirement.

Extraordinary Margin Requirements may be calculated following the normal procedures for Margin Requirements set out above. The Clearing House may also apply any other risk calculation procedure which the Clearing House considers prudent given the outcome of the Clearing House's model validation tests.

The Clearing Member, Direct Clearing Agent or Direct Clearing Client (as the case may be) shall provide Collateral corresponding to the value of the Collateral Deficiency not later than ninety (90) minutes after the Clearing House has determined the need for such Extraordinary Margin Requirement. A failure to provide such a

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notice at the requisite time shall not invalidate the ability of the Clearing House to request such Collateral nor the requirement of the Clearing Member or Direct Clearing Client to provide such Collateral.

2.8.17a Any determination as to a requirement to provide Collateral pursuant to an Intra-Day Margin Requirement and/or Extraordinary Margin Requirement is without prejudice to any other determination to provide Collateral that remains outstanding, whether pursuant to an End of Day Margin Determination, another Intra-Day Margin Requirement or another Extraordinary Margin Requirement. Where a Clearing Member or Direct Clearing Client is subject to more than one requirement to provide Collateral at the same time, the obligation of the Clearing Member or Direct Clearing Client is to provide the amount of Collateral to meet the Collateral Deficiency then existing for each margin requirement as they fall due, taking into account the value of any Collateral provided pursuant to an earlier margin requirement.

2.8.18 [Deleted]

2.8.18a [Deleted]

2.8.19 A Clearing Member or Direct Clearing Client may provide Collateral to the Clearing House in the form and manner as set out in the Procedures.

2.8.20 Each Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) shall provide the requisite value of Collateral by the Collateral Receipt Cut-Off Time to meet any Collateral Deficiency in respect of the End of Day Margin Determination. Each Clearing Member or Direct Clearing Client shall be entitled to deliver Collateral as set out in the Collateral List to meet its obligations pursuant to the End of Day Margin Determination, subject that any Collateral received after the Collateral Receipt Cut-Off Time shall not be taken into account by the Clearing House in its determination as to whether the Clearing Member or Direct Clearing Client has met its obligations pursuant to the End of Day Margin Determination. To the extent the Clearing House has not received all of such Collateral by the Collateral Receipt Cut-Off Time, the Clearing House shall take steps to collect any remaining required Collateral through the Cash Optimization Service. The use of the Cash Optimization Service is without prejudice to the continuation obligation of the Clearing Member, Direct Clearing Agent or Direct Clearing Client to provide Collateral in accordance with the Clearing Rules and a failure to provide the requisite value of Collateral through the Cash Optimization Service shall be deemed to be a failure by the relevant Clearing Member or Direct Clearing Client to provide Collateral in accordance with its obligations herein.

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2.8.20a To the extent there is a Collateral Deficiency on any Clearing House Business Day in respect of a Margin Requirement Account, any cash in aggregate due to the Clearing Member or Direct Clearing Client arising out of the Cash Settlement of Contracts Recorded on that Margin Requirement Account may be used to reduce such Collateral Deficiency up to the amount of the Collateral Deficiency, in accordance with the provision of the Cash Optimization Service as set out in section 2.13. In taking such action, the Clearing House will record the relevant amount of cash due to the Clearing Member or Direct Clearing Client arising out of such Cash Settlement to have been paid to the Clearing Member or Direct Clearing Client, as the case may be, and an equivalent amount of Cash Collateral to have been received in the Collateral Custody Account.

2.8.20b To the extent there is a Collateral Surplus on any Clearing House Business Day in respect of a Margin Requirement Account and an amount is in aggregate due to be paid by the Clearing Member or Direct Clearing Client arising out of the Cash Settlement of the Contracts Recorded on that Margin Requirement Account, the Collateral Surplus may be used to reduce the amount due in Cash Settlement up to the amount due, in accordance with the provision of the Cash Optimization Service as set out in section 2.13. In taking such action, the Clearing House will record the relevant amount of cash due in Cash Settlement to have been paid and an equivalent amount of Cash Collateral to have been paid from the Collateral Custody Account.

2.8.20c If, after the application of section 2.8.20a, there remains a Collateral Deficiency outstanding, the Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) shall provide the requisite value of Collateral to cover the remaining Collateral Deficiency, in accordance with the provisions herein.

If, after the application of section 2.8.20b, there remains a Collateral Surplus, the Clearing House shall, subject to the provisions herein, provide such Collateral Surplus to the Clearing Member or Direct Clearing Client in accordance with the provisions herein.

Release and substitution of Collateral

2.8.21 Subject to the sections 2.8.7a, 2.8.20b and 2.8.21a-2.8.21g, where there is a Collateral Surplus with respect to a particular Margin Requirement Account, a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent), as the case may be, may request to the Clearing House for Collateral provided to be released. The return of any Collateral shall be processed in accordance with the Procedures.

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- 2.8.21a The Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) may request any form of Collateral to be returned.
- 2.8.21b Subject to the application of section 2.8.20b, 2.8.21, 2.8.21a and 2.8.21c-2.8.21g, the Clearing House shall automatically return Cash Collateral in the event that there is a Collateral Surplus for any End of Day Margin Determination. The Clearing House will only return Cash Collateral up to the value of the Collateral Surplus, after taking into account the return or pending return of any Collateral, in the manner and at the time set out in the Procedures. The Clearing House shall not be required to return Cash Collateral in any currency if there does not exist any Surplus Cash Collateral in that particular currency on the Collateral Custody Account.
- 2.8.21c A Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) may, in respect of any Margin Requirement Account, establish with the Clearing House a Cash Excess Amount that shall apply to such Margin Requirement Account in respect of one or more Permitted Currencies. In calculating the Surplus Cash Collateral for any Permitted Currency, the Clearing House shall take into account any Cash Excess Amount for such Permitted Currency.
- 2.8.21d Prior to the return of any Collateral Surplus, a Clearing Member or Direct Clearing Client shall have met all requirements to provide Collateral and comply with all its obligations in respect of Settlement as may be required by the Clearing House.
- 2.8.21e The Clearing House shall only return Cash Collateral in a Permitted Currency to the extent that there is sufficient Cash Collateral in that Permitted Currency to meet the Locked Currency Limit (if any).
- 2.8.21f The Clearing House shall return any Collateral Surplus in accordance with the Procedures.
- 2.8.21g Any release of Collateral or any particular Collateral under sections 2.8.21 – 2.8.21f shall always be at the discretion and subject to the prior consent of the Clearing House.
- 2.8.22 Collateral provided may be substituted by providing replacement Collateral and then requesting a release of Collateral in accordance with section 2.8.21.

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Enforcement of Collateral

2.8.23 In the event of default by a Clearing Member or Customer in accordance with the provisions of section 1.8, the Clearing House shall be entitled to immediately enforce the Collateral provided by the Clearing Member or Customer, as applicable. The Clearing House shall only exercise its rights in relation to the enforcement of Collateral and the rights under section 2.8.24 for the relevant Customer Account or Client Account in respect of which it has been provided.

2.8.24 Where, in respect of any account held or administered by such Clearing Member or Customer, as applicable, there remains a surplus after adding to/deducting from the Collateral Surplus the proceeds/costs of:

- a) closing the Clearing Member's or Customer's positions, as applicable, on the relevant account;
- b) executing any substitute transactions in relation to that account;
- c) enforcing the Collateral, subject to the terms regarding enforcement of the Collateral and the applicable terms regarding segregation of Collateral in section 2.6, in order to cover all of the Clearing Member's or Customer's, as applicable, undertakings in clearing; and
- d) settling all other amounts due (i) from the Clearing House to the relevant Clearing Member or Customer, as applicable, and (ii) to the Clearing House from the relevant Clearing Member or Customer, as applicable, in each case in relation to the relevant account, the Clearing House shall, subject to sections 1.9C, 1.9D, 1.9E and 1.9F, report the surplus in relation to such account to the Clearing Member or the Customer, as applicable, or to such party's bankruptcy estate or equivalent. The provisions regarding any determination in relation to a Collateral Surplus are subject to the segregation requirements set out elsewhere in these Clearing Rules and in EMIR.

2.8.25 The Clearing House shall also be entitled to immediately enforce Collateral provided by Direct Clearing Clients or Clearing Members where the Direct Clearing Client or Clearing Member, as applicable, fails to fulfil its obligations in accordance with the Clearing Rules and where the Clearing House, as a consequence thereof, obtains a claim against the Direct Clearing Client or Clearing Member, as applicable, covered by the securities pledge or cash security under the Collateral Custody Accounts or any bank guarantee.

Delivery Capacity

2.8.26 The Clearing House may require delivery capacity with respect to Deliverable Instruments. Such a requirement may apply generally to a Series or to a specific

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Contract or specific Clearing Account. Delivery capacity shall be secured in the manner determined by the Clearing House.

Delivery arrangements for Allowances and El-Certs

- 2.8.27 A Counterparty must at its own cost establish, appoint and maintain such Delivery Points and appurtenant arrangements as may be required by it to perform its Delivery obligations, prior to entering into any Transactions in Allowances or El-Cert where delivery may be required under the Clearing Rules.
- 2.8.28 A Counterparty's appointment of Delivery Points is subject to the consent of the Clearing House, not to be unreasonably withheld. A Counterparty shall promptly provide the Clearing House with such information as the Clearing House requests and deems required in relation to a Delivery Point.
- 2.8.29 The Clearing House may, if it has reasonable cause for doing so in relation to any obligation to be performed by it or a Counterparty under the Clearing Rules, require a Counterparty to appoint an alternative Delivery Point whereby the Counterparty shall promptly comply with such instructions.
- 2.8.30 The Clearing House may suspend Deliveries to a specific Delivery Point if necessary for the Clearing House to comply with applicable laws.

Financial collateral arrangements

- 2.8.31 The Clearing Rules, including appendices, form a financial collateral arrangement under Directive 2002/47/EC of the European Parliament and of the Council on financial collateral arrangements.

2.9 CONTRACT EVENTS

Introduction

- 2.9.1 During the Term of a Contract, a number of events may occur that are of significance for the parties' respective rights and obligations with respect to the Contract (contract events). The contract events that may occur with respect to a specific Contract are set forth in the relevant contract specification, unless otherwise stated in the Clearing Rules.
- 2.9.2 The following contract events may occur:

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- Payment of fees;
- Payment of Premiums;
- Set-Off and Forward Netting;
- Exercise and Closing;
- Expiration, or
- Recalculation

2.9.3 A Contract may be performed through Cash Settlement or Physical Settlement or a combination thereof. Cash Settlement or Physical Settlement may take place during the term of the Contract (American type) or only on the Expiration Day (European type) in accordance with the provisions of the respective contract specification or otherwise in accordance with the terms and conditions governing the Contract.

2.9.4 Cash Settlement means that the Exercise Price, Futures Price, or other value is calculated against Fix, with the difference paid and received, on the relevant Settlement Day. Cash Settlement may take place daily, monthly, quarterly, and/or on the Expiration Day of the Contract in accordance with the provisions set forth in the contract specification. Where Cash Settlement occurs on the Expiration Day, the Contract terminates.

2.9.5 Physical Settlement means that Deliverable Instruments shall be delivered or received simultaneously with payment of the Exercise Price, Futures Price, or Fix. When Physical Settlement occurs, the Contract terminates.

2.9.6 Where the conditions for a Contract are modified during the Contract Term, with respect to the underlying asset on which the Contract is based, the Clearing House recalculates the contract terms and conditions where necessary. Such recalculation takes place in accordance with the contract specification valid for the Contract in question.

2.9.7 [Deleted]

Payment of Fees

2.9.8 Clearing Members and Customers shall pay fees to the Clearing House in accordance with the Fee List in force from time to time. Fees shall be paid in accordance with the payment terms and conditions set forth in the Fee List.

2.9.9 [Deleted]

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Payment of Premiums

- 2.9.10 The payment of Premiums takes place by the purchaser, on the Premium Payment Day stated in the contract specification, making payment to the Clearing House, simultaneously with the Clearing House making payment to the seller of an amount corresponding to the Premium.

Set-Off and Forward Netting

- 2.9.11 Set-Off means that the rights and obligations pursuant to an Option Contract or a Futures Contract Recorded on a Clearing Account, Direct Clearing Account or an Integrated Trading and Clearing Account terminate through an offsetting Contract being Recorded on the same account (closed position). Set-Off is conditional on the contract specification stating that Set-Off may take place. Set-Off on an Omnibus Account requires active measures by the Clearing Member.

- 2.9.12 Forward Netting means that the rights and obligations pursuant to a Forward Contract Recorded on a Clearing Account, Direct Clearing Account or an Integrated Trading and Clearing Account are deducted through a similar offsetting Contract being Recorded on the account. In the event of Forward Netting, the rights and obligations set forth in the Contract do not terminate, but rather apply in parallel until the Expiration Day (closed position). Forward Netting is conditional on the contract specification stating that such netting may take place.

- 2.9.13 The legal consequences of Set-Off or Forward Netting enter into effect at the time on which the corresponding Contract is Recorded on the account.

- 2.9.14 The provisions above regarding Set-Off shall also apply to Contracts with respect to financial instruments or similar rights and obligations other than options, futures or forwards, unless otherwise stated in the relevant contract specification.

Exercise and Closure

Option Contracts

Generally

- 2.9.15 Exercise of an Option Contract may take place through premature exercise, standard exercise, or automatic exercise in accordance with the provisions of the respective contract specification. Premature exercise and standard exercise are normally applied when options that are subject to Physical Settlement are involved and automatic exercise when cash settled options are involved.

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2.9.16 In conjunction with Exercise of an Option Contract subject to Physical Settlement, the Clearing House randomly selects corresponding Contracts within certain volume intervals in respect of which the Clearing House in turn demands exercise vis-à-vis another Customer or Clearing Member.

2.9.17 Exercise other than standard exercise or automatic exercise takes place through the holder of a Contract demanding Exercise. This takes place through the Clearing Member or Direct Clearing Client (acting through the Direct Clearing Agent), sending an Exercise Order to the Clearing House in writing or via its electronic connection to the Clearing System. Such requests are otherwise governed by the provisions of the respective contract specification.

2.9.18 Customers, Clearing Members or Direct Clearing Clients (acting through their Direct Clearing Agents) that obtain a delivery undertaking as a result of Exercise must ensure that sufficient delivery capacity exists with respect to the relevant Deliverable Instrument.

Premature Exercise

2.9.19 Premature exercise means that a holder of an American Option Contract may exercise the Contract at any time during the Term of the Contract. An issuer of a corresponding Contract is obligated to accept premature exercise if the Clearing House so requests.

Standard Exercise

2.9.20 Standard exercise means that the Clearing House, on the Expiration Day and on behalf of the Clearing Member or Customer, effects Exercise with respect to the Contract which, in the Clearing House's opinion, has a certain minimum real value or as instructed by the Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) in accordance with what is stipulated in the applicable contract specification. Where a Clearing Member or Customer opposes such standard exercise, such Clearing Member or Customer must notify the Clearing House accordingly. Where such a notice is not received by the Clearing House within the time and in the manner stated in the contract specification, the Clearing House effects Exercise on behalf of such Clearing Member or Customer.

Automatic Exercise

2.9.21 Automatic exercise means that the Clearing House, on the Expiration Day and on behalf of the Clearing Member or Customer, effects Exercise of the Contracts which, in the Clearing House's opinion, have a certain minimum real value. In conjunction with automatic exercise, the Clearing Member or Customer may not waive the right to be the subject of exercise.

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Impediments to Exercise

- 2.9.22 Where a Suspension of Trading or corresponding measures has been decided upon by a securities exchange or other marketplace, and where the decision relates to the Instrument(s) included in the Contract Base, Exercise may not take place until the measure has ceased to apply.
- 2.9.23 The Clearing House may also decide in other cases that the time for Exercise shall be postponed if, in the Clearing House's opinion, the pricing of financial instruments or other values included in the Contract Base is unreliable.
- 2.9.24 In the event of an impediment to Exercise in accordance with the above, Exercise shall be carried out as soon as such may take place.

Forward Contracts and Futures Contracts

- 2.9.25 The Closing of Forward Contracts and Futures Contracts takes place in accordance with the provisions stated in the respective contract specification.
- 2.9.26 Closing of Contracts pursuant to Physical Settlement takes place in accordance with the provisions stated in the relevant contract specification, through:
- (i) Deliverable Instruments being delivered against payment of the Physical Settlement Amount; or
 - (ii) Deliverable Instruments being delivered against Fix and the difference between the Futures Price and Fix being paid through Cash Settlement; or
 - (iii) Deliverable Instruments shall be delivered at the average price for the Contract Share on the Expiration Day and the difference between such average price and Fix for the immediately preceding Bank Day shall be paid through Cash Settlement.
- 2.9.27 Closing of Contracts pursuant to Cash Settlement takes place in the manner stated in section 2.9.4 and in accordance with the relevant contract specification.
- 2.9.28 In conjunction with the Closing of Futures Contracts and Forward Contracts, the provisions of sections 2.9.21-2.9.23 regarding Exercise shall apply *mutatis mutandis*.

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Contracts other than Options, Forward Contracts or Futures Contracts

2.9.29 Contracts other than those relating to options, forwards or futures and which may be settled through Physical Settlement or Cash Settlement may terminate through Exercise, Closing or other applicable procedure(s) in accordance with the provisions of the relevant contract specification.

2.9.30 *Transfer Orders*

A Transfer Order with respect to Cash Settlement or Physical Settlement as a consequence of Exercise, Closing or a similar contract event shall be deemed placed in the Clearing System upon receipt of a request by the Clearing House or when the Clearing System, without such a request, generates a final settlement report in accordance with section 2.11. Other than as set forth in the rules regarding Protests (section 2.10), Transfer Orders may not be revoked after the Clearing House has provided such settlement report.

Expiration

2.9.31 A Contract which has not become the subject of Set-Off, Forward Netting, Exercise, Closing or corresponding procedure shall terminate automatically through Expiration upon the expiry of the Contract Term. In the event of Expiration, all rights and obligations with respect to the Contract cease to apply.

Recalculation

2.9.32 Where the conditions for the performance of a Contract are changed as a result of a change in the value that constitutes the basis for the Contract, recalculation may take place in respect of any of the Exercise Price, Futures Price, number of underlyings per Contract or equivalent. Such recalculation shall take place in accordance with the contract specification governing the Contract in question.

2.9.33 Circumstances that may result in a recalculation in accordance with the above may consist, for example, of bonus issues, new issues, splits, reverse splits of shares, mergers, distributions of shares in subsidiaries (spin-off), de-listing from a securities exchange or other marketplace, compulsory purchase, liquidation, or bankruptcy.

Contract Note

2.9.34 The Clearing House prepares contract notes in conjunction with Registration of a Contract, Exercise, Closure, or where the Contract ceases to apply in any other manner, however not where the Contract terminates through Expiration, whereupon the note is sent to the Direct Clearing Agent.

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2.9.35 The contract note is sent to the Clearing Member, Direct Clearing Agent or Direct Clearing Client via the Clearing Member's, Direct Clearing Agent's or Direct Clearing Client's electronic connection, unless otherwise agreed by the Clearing Member, Direct Clearing Agent or Direct Clearing Client and the Clearing House.

2.9.36 Clearing Members and Direct Clearing Agents shall prepare contract notes vis-à-vis Customers.

2.10 Protests

General

2.10.1 Clearing Members and Direct Clearing Agents shall continuously assist in reconciliation of Transactions Registered during any day and shall submit to the Clearing House any Protest attributable to Registrations or failure to Register, in the event that discrepancies exist compared with the Clearing Member's or Direct Clearing Agent's own records. Clearing Members and Direct Clearing Agents shall also, within the times stated in the Clearing Rules, submit Protests against, e.g., erroneously executed, or failure to execute, Exercise or Cash Settlement. Protests submitted at times later than those stated below shall be invalid.

2.10.2 Protests of Contracts relating to Instruments that are both Exchange Listed and Clearing Listed shall be requested by a Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, on forms determined by the Clearing House or via the Clearing Member's, Direct Clearing Client's or Direct Clearing Agent's, as applicable, electronic connection to the Clearing System. Protests may also be submitted in another manner where such is stated in the contract specification governing such Contract.

2.10.3 Protest relating to Contracts concerning Clearing Listed Instruments shall be requested by a Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, by telephone, on a form determined by the Clearing House, via the Clearing Member's, Direct Clearing Client's or Direct Clearing Agent's, as applicable, electronic connection to the Clearing System or in another way which the Clearing House from time to time finds appropriate. Protests (termination) relating to Generic Rates Instruments (however not including Generic STIBOR-FRA Contracts) may also be requested through an Approved Affirmation Platform. The Clearing House shall take the measure as requested provided that the original contracting party consents to such measure.

Where a Protest hereunder involves a request to transfer one or several Contracts to another Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account,

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such request shall be deemed an application for Registration and thus be subject to Renewal Checks in accordance with section 2.4.10a where applicable.

2.10.4 Where a Protest results in a cancellation of the original Transaction and Registration of a new Transaction, the Registration Day shall be changed to the Bank Day on which new Registration occurs.

Protests

2.10.5 The following types of Protests may take place:

- (i) *Request for Re-registration.* This type of Protest may take place in the event of Re-registration of a Contract from one account to another account in accordance with the rules set forth in section 2.7.
- (ii) *Protest concerning Registration of Internal Trades.* This type of Protest may take place where a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) wishes to modify, e.g., price, volume, and Series with respect to Registered Internal Trades, see sections 2.10.6-2.10.8.
- (iii) *Protest regarding Registration Errors.* This type of Protest may take place where a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent), in conjunction with reconciliation of a Transaction that was executed manually via MPS, discovers that discrepancies exist compared with the Clearing Member's or Direct Clearing Agent's own records, e.g. erroneously executed, or failure to execute, Registrations of Transactions. Such Protests shall be made in accordance with the rules relating to Registration Errors in section 2.10.9.
- (iv) *Protest concerning Exercise and Cash Settlement.* This type of Protest may take place where a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) desires to submit a Protest against executed, or failure to execute, Exercise or Cash Settlement, see sections 2.10.10-2.10.11.

Protest concerning Registration of Internal Trades

2.10.6 Protests concerning Registration of Internal Trades may take place where a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) wishes to modify:

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- (i) price, volume, and Series; or
- (ii) buy to sell or sell to buy.

2.10.7 Protests must be submitted immediately after discovery of the discrepancy, however not later than 30 minutes prior to ETS's normal closing on the Bank Day after Registration took place or, where Registration took place on the Expiration Day, not later than 30 minutes prior to the closing of the Clearing System on the Expiration Day.

2.10.8 When a modification takes place in accordance with the above, the modification shall apply from the time that the Contract was Recorded on the account.

Protests concerning Registration Errors

2.10.9 The Clearing House may, on its own initiative or following a request, cancel or modify a Transaction which entails a Registration Error, e.g. Transactions registered with an erroneous volume, erroneous price, or Transactions that have been double-registered.

A Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) that wishes to Protest against a Registration Error must do so immediately after the discrepancy is discovered, however, not later than 30 minutes prior to ETS's normal closing on the Bank Day after the Registration took place or should have taken place.

Protests may, however, be submitted at a later time provided that all Clearing Members or Direct Clearing Clients affected consent to the cancellation or modification. However, in such cases Protests must be submitted not later than 60 minutes after ETS's normal closing on the Bank Day after the Registration Day. Where Registration has or should have taken place on the same day as Exercise takes place of the Contract in question, Protests must be submitted not later than 30 minutes prior to the closing of the Clearing System on the Expiration Day or, where the Protest affects another clearing organisation, not later than 60 minutes prior to the closing of the Clearing System or the closing of the other clearing organisation's clearing system on the same day, whichever is the earliest. Exceptions to time limits in this paragraph can be made if operationally possible, following approval from the Exchange and subject to forms decided by the Exchange.

Protests submitted to the Clearing House after the closing of the Clearing System shall not be processed by the Clearing House until the following Bank Day.

When a modification takes place in accordance with the above, such modification shall apply from the time on which the Contract was Recorded on the account.

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Protests concerning incorrectly executed or non-executed Exercise and Cash Settlement

- 2.10.10 On its own initiative or following a request by a Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent), the Clearing House may effect rectification of a, by the Clearing House, incorrectly executed or non-executed Exercise and Cash Settlement.
- 2.10.11 A Clearing Member or Direct Clearing Client which wishes to submit a Protest in respect of a, by the Clearing House, incorrectly executed or non-executed Exercise or Cash Settlement, must submit a request therefore. Such Protest must be submitted as soon as the error is discovered, however not later than 30 minutes prior to ETS's normal opening on the Bank Day after the Exercise or Cash Settlement was carried out or should have been carried out. In connection with such Protest, the Clearing Member or Direct Clearing Client shall, in addition to stating the matter to which the Protest refers, provide information regarding the Series, number of Contracts affected, and the account numbers in question.
- 2.10.12 If the Protest has been submitted in relation to an Exercise or Cash Settlement that has, in the Clearing House's opinion, been incorrectly executed or non-executed the Clearing House may effect rectification.
- 2.10.13 In order to enable the Clearing House on its own initiative or following a Protest to effect rectification with respect to incorrectly executed or non-executed Exercise or Cash Settlement, the Clearing House shall, not later than 120 minutes after ETS's normal opening on the Bank Day after Exercise or Cash Settlement was carried out or should have been carried out, notify the Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, concerned that rectification will be effected. The Clearing House shall also inform the Clearing Members, Direct Clearing Clients and Direct Clearing Agents, as applicable, concerned how the rectification will be effected.

Cancellation of an incorrect request of Exercise and Cash Settlement

- 2.10.14 On its own initiative or following a request by a Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, the Clearing House may carry out the following measures due to a Clearing Member's, Direct Clearing Client's or Direct Clearing Agent's incorrect request for Exercise and/or Cash Settlement.
- 2.10.15 A Clearing Member, Direct Clearing Client or Direct Clearing Agent, as applicable, which wishes to cancel an incorrect request of Exercise or Cash Settlement made by the Clearing Member, Direct Clearing Client or Direct Clearing Agent must submit a request therefore

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to the Clearing House as soon as the error is discovered, however not later than 60 minutes after ETS's normal opening on the Bank Day after the Exercise or Cash Settlement was carried out. In connection with such request, the Clearing Member, Direct Clearing Client or Direct Clearing Agent shall, in addition to stating the matter to which the request refers, provide information regarding the Series, number of Contracts affected, and the account numbers in question.

2.10.16 When a Clearing Member, Direct Clearing Client or Direct Clearing Agent has made such a request for cancellation, the Clearing House shall as soon as possible forward the request to the Clearing Member(s), Direct Clearing Client(s) or Direct Clearing Agent(s) concerned.

2.10.17 The Clearing House may on its own initiative, even if no request for cancellation has been made, contact Clearing Members, Direct Clearing Clients and or Direct Clearing Agents, as applicable, concerned if, in the Clearing House's opinion, a Clearing Member's, Direct Clearing Client's or or Direct Clearing Agent's request for Exercise or Cash Settlement is incorrect. Such contact shall be taken no later than 90 minutes after ETS's normal opening on the Bank Day after the Exercise or Cash Settlement was carried out.

2.10.18 The Clearing House will thereafter cancel the Exercise and Cash Settlements in question if all Clearing Members, Direct Clearing Clients or Direct Clearing Agents, as applicable, concerned consent to such measure. If not all Clearing Members, Direct Clearing Clients or Direct Clearing Agents concerned have approved the measure by 120 minutes after ETS's normal opening on the Bank Day after the Exercise or Cash Settlement was carried out, no cancellation will be made.

2.11 Settlement

General

2.11.1 Settlement of obligations with respect to Instruments cleared by the Clearing House takes place in the manner stated in this section and in accordance with the respective contract specification.

2.11.2 Cash Settlement involving payment in Danish krone (DKK), euro (EUR), Norwegian krone (NOK), pound sterling (GBP), Swedish krona (SEK) and United States dollar (USD) takes place through the Approved Settlement Banks and concentration banks listed in the List of Approved Settlement Banks and in accordance with the routines governing settlement administered by the Clearing House.

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A Clearing Member, Direct Clearing Agent and/or Direct Clearing Client, must, subject to section 2.11.3, appoint an Approved Settlement Bank for each relevant Permitted Currency in accordance with section 2.2A. Such Clearing Member, Direct Clearing Agent and/or Direct Clearing Client, shall comply with the Clearing House's instructions regarding, among other things, type of bank account.

2.11.3 A Clearing Member who, by agreement with the Clearing House, is responsible for Cash Settlement on its own behalf does not need to appoint an Approved Settlement Bank to effect such Cash Settlement. A Clearing Member shall, with respect to such settlement, meet the Clearing House's requirements as applicable from time to time.

2.11.4 [Intentionally left blank]

2.11.5 Physical Settlement shall take place through a Central Securities Depository in accordance with the routines applied by such Central Securities Depository and the Clearing House from time to time in conjunction with settlement with respect to the Instruments in question. If an Account Holder does not in time fulfil its obligation related to the delivery or receipt of any Deliverable Instruments, the Clearing House may deviate from such routines in accordance with section 2.11.6. In addition, if a Counterparty fails to fulfil its obligations related to the delivery or receipt of Deliverable Instruments a Late Settlement Administrative Fee may be debited in accordance with the Fee List in force from time to time.

Account Holders that are not participants in the Central Securities Depository in which Physical Settlement takes place must retain an institution which is such a participant in order to be able to fulfil their obligations with respect to Physical Settlement.

In accordance with the *EU Central Securities Depositories Regulation (909/2014) (CSDR)*, Central Securities Depositories have established procedures to facilitate a mechanism for managing settlement penalties of transactions in financial instruments that are not settled on the intended settlement date. The penalty mechanism includes cash penalties to be calculated daily for each business day that a transaction fails to be settled after its intended settlement date.

Any questions and/or appeals that the Account Holder has in relation to the CSDR settlement penalties, debited or credited by a Central Securities Depository, should be directed to the relevant Central Securities Depository, or custodian, used by the Account Holder.

Certain circumstances, such as (but not limited to) an Account Holder not enabling partial settlement as required, an Account Holder default or late delivery of securities to the

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Clearing House, differences in the penalties calculated by different Central Securities Depositories, or imbalanced positions in respect of cleared transactions, can create mismatches in CSDR settlement penalties, which can result in a potential loss or profit for the Clearing House. In such cases, the Clearing House shall have the right to:

- (i) debit an Account Holder all the remaining net amount of CSDR settlement penalties debited to the Clearing House by a Central Securities Depository which are attributable to such Account Holder's settlement and/or delivery failure(s); or
- (ii) where it is not possible to determine which Account Holder that (as a result of its settlement and/or delivery failure) has caused a loss for the Clearing House, mutualise all penalty losses that are debited to the Clearing House at Central Securities Depository level among all Account Holders and debit them accordingly; and
- (iii) Charge the Account Holder any administrative fees related to CSDR penalties that a Central Securities Depository charges the Clearing House with.

Any debits made pursuant to this paragraph shall be processed in accordance with the provision of the Cash Optimization Service as set out in section 2.13.

Delayed Physical Settlement

2.11.6 Without prejudice to the Clearing House's other rights under the Clearing Rules, where the obligations for Physical Settlement are not fulfilled, the Clearing House can deviate from its usual settlement routines in the following ways:

Buy-in

If an Account Holder has not fulfilled its obligation to deliver the relevant Deliverable Instruments on the applicable Settlement Day (S) the Clearing House shall send a notification to such Account Holder stating its intention to perform buy-in as further described below (such notification, a "Buy-in Notification").

Where the Deliverable Instrument is an equity instrument or a fixed income instrument, and if the failing Account Holder has not delivered the relevant instrument on the fourth Bank Day (S+4), the Clearing House shall, on behalf of the failing Account Holder, make reasonable efforts to acquire the relevant Deliverable Instruments (Buy-in) and fulfill Physical Settlement under the corresponding, opposite Contract. Immediately upon having failed to deliver in accordance with above, the failing Account Holder shall cancel its original delivery instruction registered with the relevant CSD and delivery from such

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Account Holder will not be accepted, unless explicitly approved in advance by the Clearing House. To the extent it is not possible for the Clearing House to acquire Deliverable Instruments corresponding to the full original nominal amount, the Clearing House has the right to deliver a part of the original amount.

If the failing Account Holder indicates, at the time of the Buy-in Notification, that a delivery is likely to fail, the failing Account Holder and the Clearing House may agree to start the Buy-in procedure immediately.

Postponed Physical Settlement

If an Account Holder fails to fulfill Physical Settlement and, where applicable, the Clearing House cannot complete a Buy-in of all or part of the Deliverable Instruments, the Clearing House has the right, both in relation to the Buyer and to the Seller and under the Contract as well as the corresponding, opposite Contract, to postpone Physical Settlement (for the avoidance of doubt, also including the payment of the Physical Settlement Amount) accordingly, subject to the following paragraphs.

The Clearing House shall promptly inform Seller and Buyer of a decision to postpone settlement. A decision by the Clearing House to postpone Physical Settlement does not remove the failing Account Holder's or Clearing House's liability to pay any Late Settlement Administrative Fee in accordance with the Fee List.

In the event of postponed Physical Settlement, the relevant Contract will be settled on the new settlement day, as determined by the Clearing House, with terms equivalent to the original Physical Settlement, i.e. same settlement amount, right to accrued interest etc. The Account Holder shall, following instructions from the Clearing House, immediately file a new delivery instruction to the relevant Central Securities Depository with Physical Settlement on the Bank Day instructed by the Clearing House.

If Physical Settlement has not occurred on S+8, Physical Settlement shall not occur and an amount corresponding to the below shall be paid by the failing Account Holder and, following receipt by the Clearing House, credited to the relevant non-failing Account Holder.

- a) Where the Deliverable Instruments is an equity instruments: the higher of (i) five percent (5%) of the settlement amount on S and (ii) hundred and five percent (105%) of the latest available price on S+8 less the settlement amount on S of the Instruments that should have been delivered, as determined by the Clearing House,

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- b) Where the Deliverable Instrument is a fixed income instrument: the higher of (i) two percent (2%) of the settlement amount on S and (ii) hundred and two percent (102%) of the latest available price on S+8 less the settlement amount on S of the Instruments that should have been delivered, as determined by the Clearing House

Delayed settlement costs

All direct net costs, expenses and fees associated with the Buy-in or postponed Physical Settlement incurred by the Clearing House will be debited against the failing Account Holder (including any Central Securities Depository's fees for failed delivery).

In addition, all direct net costs, expenses and fees associated with the postponed Physical Settlement incurred by the non-failing Account Holder will be debited against the failing Account Holder (including any Central Securities Depository's fees for failed delivery), provided that the non-failing Account Holder presents a claim to the Clearing House for such direct net costs, expenses and fees within five Bank Days calculated from the date of the postponed Physical Settlement. Any amount debited against the failing Account Holder under this paragraph will be credited against the non-failing Account Holder upon receipt by the Clearing House.

Cash Settlement

2.11.7 On each Clearing House Business Day, the Clearing House shall determine the Cash Settlement Amount for each Contract. For each such Contract, the Clearing House shall calculate the Cash Settlement Amount as the sum of:

- (i) Premiums
- (ii) Fees
- (iii) The amount payable in accordance with the contract specification in order to settle payment obligations that have become due and payable in respect of a Contract for which Cash Settlement applies.
- (iv) Any amount payable in respect of shifting of variation margin under a Contract in Generic Rates Instruments in accordance with the relevant contract specification.
- (v) Other settlement amounts.

If the Clearing Member, Direct Clearing Agent or Direct Clearing Client fails to fulfill its obligations in accordance with the routines governing settlement administered by the Clearing House a Late Settlement Administrative Fee may be debited/credited in accordance with the Fee List in force from time to time.

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Cash Settlement Report

2.11.8 In respect of each Settlement Day and in respect of each Margin Requirement Account, the Clearing House shall calculate the Cash Settlement Amount for each Contract to which Cash Settlement applies that is Recorded in respect of such Margin Requirement Account. The Cash Settlement Amount for each Contract shall be calculated in the currency of the Instrument which is the Contract Base. Following completion of its calculations, the Clearing House shall produce a Cash Settlement Report with respect to the payments to be made or received in respect of each Margin Requirement Account held or administered by a Clearing Member, Direct Clearing Agent or Direct Clearing Client. The Cash Settlement Report shall aggregate, for each Contract to which Cash Settlement applies in the Margin Requirement Account, the amount to be paid or received by the Clearing Member or Direct Clearing Client.

The Cash Settlement Report shall be made available to the Clearing Member, Direct Clearing Agent or Direct Clearing Client, as applicable, by 8.00 a.m. on the Settlement Day. A failure to provide any such Cash Settlement Report at the requisite time shall not invalidate the requirement of the Clearing Member or Direct Clearing Client to provide any amount due.

2.11.8a Where the Cash Settlement Report details an aggregate amount is due to the Clearing Member or Direct Clearing Client and there is a Collateral Deficiency on the relevant Margin Requirement Account, such amount shall be used to set-off the Collateral Deficiency in respect of that Margin Requirement Account in accordance with section 2.8.20a.

Where the Cash Settlement Report details an aggregate amount is due to be made by the Clearing Member or Direct Clearing Client and there is a Collateral Surplus on that Margin Requirement Account, such amount shall be used to set-off any applicable cash Collateral Surplus in respect of that Margin Requirement Account in accordance with section 2.8.20b.

Settlement in DKK, EUR, GBP, NOK, SEK and USD

2.11.9 On the Settlement Day, where an amount remains outstanding further to the application of section 2.11.8a relating to Cash Settlement in DKK, EUR, GBP, NOK, SEK and USD, each Clearing Member and Direct Clearing Client must, not later than 9.30 a.m. on the

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Settlement Day have at its disposal the necessary balance or credit facilities for debit on each relevant Cash Collateral Bank Account.

The Clearing House thereafter issues payment instructions for debiting of the relevant Cash Collateral Bank Account and receives electronic confirmation from the Approved Settlement Bank. The payments shall be processed in accordance with the provision of the Cash Optimization Service as set out in section 2.13.

2.11.10 For those Clearing Members who are themselves Approved Settlement Banks and to whom section 2.11.3 applies, the Clearing Member shall, with respect to complying with its obligation relating to Cash Settlement, not later than 9:30 a.m. on the Settlement Day,

- (i) in relation to SEK, have at its disposal the necessary balance or credit facilities for debit on the Clearing Member's OMX-LOM in RIX; and
- (ii) in relation to DKK, EUR, GBP and NOK, ensure that it makes the requisite payment to the Clearing House's relevant account with the relevant concentration bank (or, as separately agreed with the Clearing House, to another account) in order to meet its obligations in respect of Cash Settlement. All payments must be marked with the unique reference set out in the Cash Settlement Report.

In all other respects, the payments hereunder shall be processed in accordance with the provision of the Cash Optimization Service as set out in section 2.13.

2.11.11 The Clearing House issues payment instructions for exchange of payments in the respective concentration bank between Clearing Members that settle on their own behalf and Approved Settlement Banks. Thereafter, the Clearing House issues payment instructions not later than 2.00 p.m. (or 4.00 p.m. in respect of USD) for crediting of net settlements on the Clearing Member's and Direct Clearing Client's designated Cash Collateral Bank Account, in accordance with the provision of the Cash Optimization Service as set out in section 2.13.

2.11.12 [Intentionally left blank]

2.11.13 [Intentionally left blank]

2.11.14 [Intentionally left blank]

Physical Settlement

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Settlement administered by a Central Securities Depository

- 2.11.15 For those Contracts the settlement of which, in accordance with the respective contract specifications, is required to be undertaken via a Central Securities Depository, Physical Settlement shall be effected through the relevant Central Securities Depository. In such cases, Physical Settlement shall take place in accordance with the routines applied by such Central Securities Depository, as applicable, from time to time for net settlement with respect to the Instrument in question, and in the manner stated in the respective contract specification.

Settlement of Instruments based on Swedish, Danish, Norwegian or Finnish shares, depository receipts or similar Instruments

Physical Settlement Report

- 2.11.16 On the Clearing House Business Day following Exercise or Closing of each relevant Contract, the Clearing House shall provide the relevant Clearing Members, Direct Clearing Clients or Direct Clearing Agents, as applicable, with a Physical Settlement Report setting out the Physical Settlement Amount and the quantity of Deliverable Instruments required in order to settle such Contract. The Physical Settlement Report sets forth the Physical Settlement Amount and the quantity of Deliverable Instruments aggregated per Clearing Account, Direct Clearing Account and Integrated Trading and Clearing Account as well as the aggregate totals for the Clearing Member and Direct Clearing Client.

Settlement

- 2.11.17 On the Settlement Day, Physical Settlement takes place in accordance with the relevant Central Securities Depository's rules.

- 2.11.18 Physical Settlement of share futures shall take place through:

- (i) the payment of an amount, calculated as the difference between the last paid price for the Contract Share on the Expiration Day and Fix for the immediately preceding Bank Day being settled through the Clearing House in accordance with sections 2.11.7-2.11.11 as if it were a Cash Settlement Amount; and
- (ii) delivery of the relevant quantity of Deliverable Instruments against the Physical Settlement Amount, calculated as the last paid price as referred to in (i).

Settlement of Fixed-Income Instruments or Similar Instruments

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Physical Settlement Report

- 2.11.19 On the Expiration Day for a fixed-income or similar Instrument, the Clearing House shall provide a Physical Settlement Report to the relevant Clearing Members and Direct Clearing Clients (through their Direct Clearing Agents) that are subject to Physical Settlement in respect of a Contract. The Physical Settlement Report shall state the quantity of Deliverable Instruments to be delivered and the Physical Settlement Amount to be paid.
- 2.11.20 The Clearing House thereafter provides a Physical Settlement Report in the Clearing System with respect to the payment of Physical Settlement Amounts and Deliveries are recorded per Clearing Account, Direct Clearing Account and Integrated Trading and Clearing Account and Clearing Member or Direct Clearing Client.
- 2.11.21 Physical Settlement of interest futures and forwards takes place through:
- (i) the payment of an amount, being calculated as the difference between the Futures Price and Fix being settled through the Clearing House in accordance with sections 2.11.7–2.11.11 as if it were a Cash Settlement Amount; and
 - (ii) delivery of the requisite quantity of Deliverable Instruments against the Physical Settlement Amount, being Fix, such settlement taking place through the relevant Central Securities Depository.

Time Schedules

- 2.11.22 Not later than 4.00 p.m. on the Expiration Day for the relevant Instrument, the Clearing House notifies the relevant Clearing Members, Direct Clearing Client or Direct Clearing Agent, as applicable, subject to delivery obligations pursuant to Physical Settlement of a Contract as to the quantity of Deliverable Instruments to be delivered and the Physical Settlement Amount, unless otherwise stated in the relevant contract specification. Where a Clearing Member or Direct Clearing Client, under a contract specification, has a right to choose between Instruments to be delivered, the Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) shall notify the Clearing House not later than 6.00 p.m. on the same day of the Deliverable Instruments that will be delivered unless otherwise stated in the relevant contract specification.
- 2.11.23 Not later than 8.45 a.m. on the Bank Day after the Expiration Day, the Clearing House notifies Clearing Members, Direct Clearing Clients and Direct Clearing Agents, as applicable, that are to obtain Deliverable Instruments arising from Physical Settlement of a Contract as to the Deliverable Instruments that will be delivered and the Physical Settlement Amount to be paid, unless otherwise stated in the relevant contract specification.

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On the Settlement Day, settlement takes place in accordance with the relevant Central Securities Depository's rules, as applicable.

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2.11.25 [Intentionally left blank]

Physical Settlement with respect to Clearing-Listed Instruments not settled through a Central Securities Depository

2.11.26 Physical Settlement in respect of Clearing Listed Instruments that are not settled through a Central Securities Depository are governed by the routines applied by the Clearing House from time to time for the settlement of such Instruments.

Settlement of Repos and Reversed Repos

Physical Settlement Report

2.11.27 On the Registration Day, the Clearing House provides a Physical Settlement Report in the Clearing System setting out the Physical Settlement Amount, the requisite quantity of Deliverable Instruments and the Settlement Day. The payment of the Physical Settlement Amount and the delivery of the Deliverable Instruments will be recorded on the relevant Clearing Account, Direct Clearing Account or Integrated Trading and Clearing Account for the relevant Clearing Member or Direct Clearing Client.

Settlement

2.11.28 Settlement of repo Contracts takes place in accordance with the rules and routines applied by the Central Securities Depository specified in the relevant contract specification from time to time for net settlement or simultaneous settlement with respect to the Instrument in question.

2.11.29 The Clearing House reports settlement transactions to the relevant Central Securities Depository directly after a repo Contract has been Recorded on the respective Counterparty's account. Maximum amount per settlement transaction follows the rules applied by the relevant Central Securities Depository from time to time. If a repo Contract's nominal amount exceeds the maximum amount applied by the relevant Central Securities Depository the Clearing House will, in relation to the relevant Central Securities Depository, divide the settlement transaction into several smaller settlement transactions. The nominal amount of the settlement transactions reported to the relevant Central

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Securities Depository shall then primarily be the maximum amount. Only one of the divided settlement transactions shall have a lower amount than the maximum amount.

The Counterparties shall report the settlement transactions to the relevant Central Securities Depository in connection with a repo Contract has been Recorded. Corresponding procedure as described in the preceding paragraph regarding settlement transactions that exceed the maximum amount applied by the relevant Central Securities Depository shall be applied to the Counterparties' settlement transactions at the relevant Central Securities Depository.

Settlement in relation to Client Accounts

- 2.11.30 Notwithstanding anything to the contrary above in this section 2.11, no netting of Cash Settlement Amounts and/or Physical Settlement Amounts may occur between Customer Accounts and Client Accounts or between Customer Accounts and Client Accounts and any other accounts. A Clearing Member that administers one or more Customer Accounts and/or Client Accounts may open and maintain (and the Clearing House supports) separate Cash Collateral Bank Accounts (per settlement currency) for Cash Settlement in relation to Client Accounts. The foregoing is without prejudice to the payment netting that is carried out pursuant to the Cash Optimization Service.

VAT

- 2.11.31 Any VAT on Settlement amounts will be invoiced separately by the Clearing House.

Allowances and El-Cert Delivery procedures

- 2.11.32 Allowances and El-Cert shall be delivered in accordance with the terms of each applicable Transaction and the Clearing Rules.
- 2.11.33 All delivery of Allowances and El-Cert under any Transaction shall be compliant with the applicable contract specifications and shall be delivered to the receiving Counterparty with full and valid title, free and clear of all liens, security interests, claims and encumbrances or any interest in or to them by any person (except where in favour of the receiving Counterparty).
- 2.11.34 The risk of loss related to the Allowances or El-Cert or any portion of them transfers to the receiving Counterparty upon completed delivery. Delivery shall be deemed completed for the purposes of the Clearing Rules when the delivering Counterparty has received confirmation that the Allowances or El-Cert, as relevant, have been deposited to the applicable Delivery Point of the receiving Counterparty without any possibility of

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revocation by the delivering Counterparty, and any and all other requirements pursuant to the Clearing Rules in relation to the delivery of Allowances or EI-Cert are satisfied, including all regulatory or other approvals that may be required from the delivering Counterparty.

- 2.11.35 Delivery of Allowances or EI-Cert owing from the Clearing House within a Series are, unless as otherwise set out in the individual contract specifications and subject to the Clearing House's delivery obligations vis-a-vis the Counterparty, distributed as fungible instruments on a randomised basis. A Counterparty shall have no right to receive any specific deliverables under any Transaction, and any correlation between the deliverables received from the selling Counterparty in a Transaction and the deliverables distributed by the Clearing House to the buying Counterparty in the corresponding Transaction shall be deemed purely coincidental.

Netting

- 2.11.36 References to settlements being made on a net basis are to offsetting payments in the same currency that would otherwise be due from a Clearing Member or Direct Clearing Client to the Clearing House and from the Clearing House to the same Clearing Member or Direct Clearing Client that are automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by either the Clearing House to the Clearing Member or the Direct Clearing Client or by the Clearing Member or Direct Clearing Client to the Clearing House exceeds the aggregate amount that would otherwise have been payable between the Clearing House to the same Clearing Member or Direct Clearing Client in the opposite direction, replaced by an obligation on whichever of the Clearing House or the Clearing Member or Direct Clearing Client would have had the larger payment obligation to pay to the other the excess of the larger payment obligation over the smaller payment obligation.

2.12 Liability

General

- 2.12.1 In respect of Contracts which

- a) are Recorded on an Integrated Trading and Clearing Account; or
- b) are Recorded on a Clearing Account

the Customer (excluding any Direct Clearing Client), Clearing Member, and the Clearing House shall be liable for the performance of the obligations pursuant to the Contract to the

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extent set forth below. Customers or Clearing Members shall provide Collateral for their undertakings to the extent set forth in section 2.8.

For the avoidance of doubt, Direct Clearing Client's liability for Contracts which are Recorded on a Direct Clearing Accounts is set out in section 2.12.19.

2.12.2 A Clearing Member shall at all times be liable to the Clearing House for obligations (including, for the avoidance of doubt, obligations in respect of which no Collateral has been posted to the Clearing House) relating to Contracts Recorded on the Clearing Member's House Accounts.

2.12.3 A Customer shall at all times be liable to the Clearing House for the obligations relating to Contracts Recorded on the Customer's Customer Accounts.

2.12.4 (a) A GCM shall at all times be liable to the Clearing House for obligations (including, for the avoidance of doubt, obligations in respect of which no Collateral has been posted to the Clearing House) relating to Contracts Recorded on Omnibus Accounts (including any Single-client Account connected to such Omnibus Account) and Individual Client Segregated Accounts that the GCM holds (including, for the avoidance of doubt, such accounts held in respect of NCMs).

(b) A DCM shall at all times be liable to the Clearing House for obligations (including, for the avoidance of doubt, obligations in respect of which no Collateral has been posted to the Clearing House) relating to Contracts Recorded on Omnibus Accounts (including any Single-client Account connected to such Omnibus Account) and Individual Client Segregated Accounts that the DCM holds.

2.12.5 [Deleted]

2.12.6 [Deleted]

[Deleted]

2.12.7 [Deleted]

2.12.8 [Deleted]

2.12.9 [Deleted]

2.12.10 [Deleted]

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2.12.11 [Deleted]

2.12.12 [Deleted]

Clearing Member's liability for Allocation through connection of Clearing Member's Allocation Account to another Clearing Member's Receiving Account

Allocating Clearing Member's liability

2.12.13 A Clearing Member (an "Allocating Clearing Member") shall be jointly and severally liable together with another Clearing Member for obligations pursuant to Contracts Recorded on such Clearing Member's Receiving Account, as a result of Allocation through connection of the Allocating Clearing Member's Allocation Account to such Clearing Member's Receiving Account. However, the Allocating Clearing Member's liability shall be limited in accordance with the following:

- (i) payment with respect to Premiums and registration fees in accordance with the Fee List in force from time to time;
- (ii) an amount corresponding to the Margin Requirement and an amount corresponding to Daily Cash Settlement instruction which, according to the Clearing Rules, should be calculated for Contracts resulting from Registrations on the account during the same Registration Day; however, liability shall cease to apply where the Clearing House announces a Margin Requirement covering the Contract in question and the Clearing Member provides necessary Collateral for such balance and has paid the Daily Cash Settlement with an amount corresponding to the Clearing Member's liability for such settlement; and
- (iii) penalty interest on amounts in accordance with (i) and (ii).

2.12.14 In conjunction with the calculation of the Allocating Clearing Member's liability in accordance with section 2.12.13 (ii), the parameter values for the respective Contracts shall be used as were applicable at the close of trading on the day on which Registration took place.

2.12.15 In order to invoke payment pursuant to an Allocating Clearing Member's liability in accordance with section 2.12.13 (ii), the Clearing House must have notified the Allocating Clearing Member, not later than 4.30 p.m. on the Bank Day following the day on which the Contract in question was Registered, that payment may be invoked. The Clearing House shall immediately thereafter notify the Allocating Clearing Member with respect to the

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maximum amount that may be claimed from such party. Where payment is invoked pursuant to the Allocating Clearing Member's liability, the Clearing House shall provide an accounting of the manner in which the liability has been calculated.

- 2.12.16 Where several Clearing Members are liable in accordance with section 2.12.13 (ii), liability in conjunction with any deficiency shall be apportioned between such parties in relation to their respective shares in the aggregate Margin Requirement as might be calculated in accordance with the same section. However, in such case liability shall be limited to the amount which, in accordance with the section, might be calculated for each of the Clearing Members individually.

Receiving Clearing Member's liability

- 2.12.17 A Clearing Member shall be liable for obligations pursuant to Contracts Recorded on Receiving Accounts in accordance with the liability provisions in sections 2.12.4 (a) and (b) and in accordance with the following:

- (i) payment of clearing fees other than such as are referred to in section 2.12.13 (i); and
- (ii) penalty interest on amounts in accordance with (i).

Miscellaneous

- 2.12.18 [Deleted]

- 2.12.19 Direct Clearing Client's liability for Direct Clearing Accounts

A Direct Clearing Client shall be the only liable party for the obligations pursuant to Contracts Recorded on a Direct Clearing Account, where the Transactions that gave rise to such Contracts were Registered on a Direct Clearing Account administered by a Direct Clearing Agent. This means that the Direct Clearing Agent is not liable for any of the obligations relating to Contracts recorded on such Direct Clearing Account and that the Direct Clearing Client bears the ultimate responsibility for all such obligations.

2.13 Cash Optimization

General

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- 2.13.1 The Clearing House provides a Cash Optimization Service with respect to the provision of Collateral and the payment and/or receipt of Cash Settlement Amounts. Pursuant to the Cash Optimization Service, for each Clearing Member or Direct Clearing Client, the Clearing House will create one or several Cash Optimization Account(s).
- 2.13.2 In respect of each Clearing Member and Direct Clearing Client, the Clearing House shall determine, for each Permitted Currency, the aggregate amount to be paid or received by the Clearing Member or Direct Clearing Client in respect of each of such Clearing Member's or Direct Clearing Client's Margin Requirement Accounts in relation to the payments arising from each Margin Requirement Report and each Cash Settlement Report of such Clearing Member or Direct Clearing Client. Having made such determination, the Clearing House shall provide a Payments Report to the Clearing Member or Direct Clearing Client (through its Direct Clearing Agent). A failure to provide a Payments Report at the requisite time shall not invalidate the ability of the Clearing House to request such Collateral nor the requirement of the Clearing Member or Direct Clearing Client to provide Collateral.
- 2.13.3 In making such determinations as to amounts to be paid in each Permitted Currency, the Clearing House shall act in accordance with the Procedures.
- 2.13.4 The Cash Optimization Account is an account utilised solely to facilitate the payment of the aggregate amounts due to or from the Clearing Member or the Direct Clearing Client. Any payments made to or from such Cash Optimization Account shall be deemed provided to or from each of the Collateral Custody Accounts at the point the amount set out in the Payments Report is paid by or to the Clearing House. The Cash Optimization Service does not affect the segregation of each of the relevant accounts as otherwise set out in these Rules.
- 2.13.5 The Clearing House shall ensure that all payments set out in the Payments Report are made through the direct debit or credit facility as provided by each Clearing Member or Direct Clearing Client pursuant to section 2.2A. Each Clearing Member or Direct Clearing Client (through its Direct Clearing Agent) must ensure that there are sufficient funds in the relevant Cash Collateral Bank Account(s) in order for such payments to be made.
- 2.13.6 The Cash Optimization Service shall be operated in accordance with the Procedures. In the event of a conflict between the Procedures and these Clearing Rules, the Clearing Rules shall prevail.

2.14 Generic Rates Compression

General

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2.14.1 The Clearing House may at times agree with one or more Clearing Members or Direct Clearing Clients (acting through their Direct Clearing Agents) to (a) terminate, and/or (b) revise the notional amount either upwards or downwards of, and/or (c) replace with new Contracts, as the case may be, Contracts that are Compression Eligible Instruments in order to replace them with other Contracts whose combined notional value is less than that of the terminated Contracts (a “Compression”). Compression may only include Contracts that are entered into by the Clearing Member or Direct Clearing Client on its own behalf and recorded on its House Account and/or Direct Clearing Account.

2.14.2 Compression takes place by way of Registration when the final statement as to the terminating Contracts and the resulting Contracts is made available by the Clearing House to each participating Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) (the “Unwind Time”).

2.14.3 Any payments to be made between the Clearing House and a Clearing Member or Direct Clearing Client with respect to an Unwind Proposal that has been implemented by the Clearing House shall be treated as Cash Settlement Amounts and discharged in accordance with these rules.

Compression cycle

2.14.4 The process leading to a Compression (a “Compression Cycle”) is operated by a third party compression services provider appointed by the Clearing House (a “Compression Service Provider”) and performed pursuant to an agreement between the Clearing House, the relevant Compression Service Provider and the Clearing Members and Direct Clearing Clients participating in the Compression Cycle (the “Compression Documentation”).

2.14.5 Participation in a Compression Cycle requires that the Clearing Member or Direct Clearing Client:

- (a) is a party to the Compression Documentation up to and including the Unwind Time;
- (b) has nominated the Contracts which it wishes to make available for Compression in accordance with the Compression Documentation; and
- (c) its participation in the Compression Cycle is in compliance with the requirements determined by the Clearing House from time to time, e.g. the maximum number of Contracts that a Clearing Member or Direct Clearing Client can nominate for a specific Compression Cycle, those set out in the Compression Documentation and applicable laws and regulations.

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2.14.6 In relation to each Compression Cycle, the Clearing House will instruct the Compression Service Provider according to the Compression Documentation to:

- (a) notify Clearing Members or Direct Clearing Clients (through their Direct Clearing Agents) that are eligible for a Compression Cycle of the timing and procedure for the Compression Cycle;
- (b) present a statement including the proposed set of terminating Contracts and the proposed set of resulting Contracts to which each participating Clearing Member or Direct Clearing Client is or will become party (the “Unwind Proposal”); and
- (c) communicate the Unwind Proposal to each participating Clearing Member or Direct Clearing Client (through its Direct Clearing Agent) for acceptance in the manner set out in the Compression Documentation.

2.14.7 The Clearing House reserves the right to determine in its sole discretion whether Contracts proposed for inclusion in a Compression Cycle may be so included.

2.14.8 The Clearing House may disclose details of any Contract to be included in a Compression Cycle and the relevant information on participating Clearing Members or Direct Clearing Clients to the Compression Service Provider in order to facilitate the Compression Cycle.

Acceptance of an Unwind Proposal

2.14.9 Compression shall take place in accordance with the terms of an Unwind Proposal which has been accepted by all participating Clearing Members or Direct Clearing Clients in accordance with the Compression Documentation. The Compression Service Provider’s confirmation to the Clearing House that a Clearing Member or Direct Clearing Client has accepted the Unwind Proposal shall constitute a binding offer by such Clearing Member or Direct Clearing Client to the Clearing House for the Registration of Contracts as set out in the Unwind Proposal.

2.14.10 Following a Clearing Member’s or Direct Clearing Client’s acceptance (through the Direct Clearing Agent) of an Unwind Proposal but prior to the Unwind Time, the Clearing House may require the Clearing Member or Direct Clearing Client to provide additional Collateral in order to meet the Margin Requirement in relation to the Contracts that will result from the Compression.

2.14.11 The acceptance of an Unwind Proposal by the participating Clearing Members and/or Direct Clearing Clients shall not bind or require the Clearing House to proceed with the Compression Cycle. Prior to the Unwind Time, the Clearing House may in its sole discretion

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decide to reject the Unwind Proposal and/or to end the Compression Cycle. In particular, the Clearing House may reject an Unwind Proposal if:

- (a) a Clearing Member or Direct Clearing Client which has accepted an Unwind Proposal is not eligible to participate in the relevant Compression Cycle;
- (b) any Contract included in the Unwind Proposal as a terminating or resulting Contract is not eligible for Compression or for Registration;
- (c) any Clearing Member or Direct Clearing Client due to participate in the Compression Cycle rejects the Unwind Proposal or does not meet the Margin Requirement set by the Clearing House; or
- (d) the amount payable in relation to an accepted Unwind Proposal would not offset within the applicable tolerance parameters determined by the Clearing House from time to time.

2.15 Generic Rates Netting

2.15.1 A Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) may request and the Clearing House may accept in accordance with this section 2.15 to (a) terminate, and/or (b) replace with one or more new Contracts, as the case may be, Contracts that are Generic Rates Netting Eligible Instruments in order to reduce their aggregate, outstanding notional value (a “Generic Rates Netting”), provided all terminating and resulting Contracts are recorded on the same House Account, Client Account or Direct Clearing Account.

2.15.2 Generic Rates Netting takes effect and is legally binding as between the Clearing House, Clearing Member and/or Direct Clearing Client, respectively, when the request for Generic Rates Netting (in this section 2.15 a “Netting request”) has been accepted by the Clearing House and terminating Contracts have been terminated and removed from and any resulting Contract(s) have been recorded on the relevant House Account, Client Account or Direct Clearing Account, in accordance with section 2.15.4.

2.15.3 A Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) wishing to request Generic Rates Netting shall submit a Netting request electronically in the Clearing System by designating the Contracts to be included in Generic Rates Netting. Netting requests shall be submitted during Clearing House Opening Hours on any Bank Day. Any Netting request remaining in the Clearing System at closing time will be terminated.

2.15.4 Following a Netting request the Clearing House shall determine in its sole discretion whether each Contract in the Netting request meets the relevant criteria as set out in section 2.15.5. If such criteria are met it shall net each Contracts designated for Generic Rates Netting

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against other Contracts designated for Generic Rates Netting to the extent possible, whereupon all Contracts netted shall be terminated and removed from the relevant House Account, Client Account or Direct Clearing Account. Where there is a remaining notional amount in respect of the designated Contracts, one or more Contracts will be created and recorded on the relevant House Account, Client Account or Direct Clearing Account representing such remaining notional amount.

- 2.15.5 Each Contract designated in a Netting request must, in addition to being a Generic Rates Netting Eligible Instrument, be identical with all other Contracts designated in the same Netting request in terms of Series designation, termination time and all other criteria set forth by the Clearing House from time to time and made available on the Clearing House website. The Clearing House reserves the right to determine on a case by case basis in its sole discretion whether Contracts designated by the Clearing Member or Direct Clearing Client (acting through its Direct Clearing Agent) for inclusion in Generic Rates Netting may be so included.