

Clearing Appendix 12

Supplemental default rules for Clearing Transactions recorded on Client Clearing Accounts

Issued by NASDAQ Clearing AB

SUPPLEMENTAL DEFAULT RULES FOR CLEARING TRANSACTIONS RECORDED ON CLIENT CLEARING ACCOUNTS

1 APPLICATION

- 1.1 Where a General Clearing Member or a Clearing Member that is a party to one or more Clearing Transactions recorded on an Individual Client Segregated Account or an Omnibus Account is subject to a Material Default Event, the Clearinghouse shall take the steps set out in this Appendix in respect of each such Clearing Transaction.

2 INTERPRETATION

- 2.1 Capitalized terms herein shall have the meanings assigned to them below and in the Clearing Rules.

Associated Client Transaction	The transaction entered into between the Account Holder and the Client on registration of a Clearing Transaction in the name of the Account Holder but in respect of that Client and whose contractual terms are economically equivalent to such Clearing Transaction.
Back-up Client Clearing Member	A General Clearing Member or Clearing Member that has agreed to act in such capacity on behalf of one or more Clients of another General Clearing Member or Clearing Member.
Client Balance	In respect of an Individual Client or in respect of an Omnibus Account, an amount equal to (i) the Collateral Balance for the relevant Client Clearing Account plus (ii) if an amount is determined to be owing to the relevant Client Clearing Account following the termination of all Clearing Transactions thereon, such amount, less (iii) if an amount is determined to be owing from the Client Clearing Account following the termination of all Clearing Transactions thereon, such amount, less (iv) the costs of any hedging undertaken and any other costs attributable to such Client Clearing Account.
Client Clearing Agreement	The contractual arrangement between the General Clearing Member or Clearing Member and its Client in respect of the Associated Client Transaction(s) and the clearing thereof.
Collateral Balance	In respect of a Client Clearing Account, the value ascribed by the Clearinghouse to all Collateral provided to the Clearinghouse in respect of such Client Clearing Account, such value to be taken, where relevant, by reference to the liquidation proceeds for all Collateral so liquidated, and if the Clearinghouse in its own discretion chose to appropriate or liquidate the Collateral, less any costs incurred by the Clearinghouse in connection with such appropriation or liquidation.
Individual Client	Has the meaning ascribed to it in section 5.
Liabilities	All present and future obligations, moneys, debts and liabilities due, owing or incurred by the Account Holder to the Client under or in connection with the Client Clearing Agreement.

Omnibus Clients	Has the meaning ascribed to it in section 6.
Porting Objection Notice	Means a notice objecting to the transfer of Clearing Transactions recorded on an Omnibus Account and Collateral Balance to a Back-up Client Clearing Member, submitted by the Omnibus Client to the Clearinghouse within 4 hours from calling the default of a defaulting Clearing Member or by such later time as the Clearinghouse may determine in its discretion.

3 ENTITLEMENT OF THE CLIENT

- 3.1 Where a Material Default Event has occurred to an Account Holder to which this Appendix applies, the Clearinghouse will take the steps necessary to seek to facilitate the transfer of the Clearing Transactions and Collateral pursuant to sections 4 – 6, and if such transfer is not dealt with pursuant to these sections, the Client is entitled to request that the Clearinghouse pay the Client Balance directly to the Client, in the case of an Individual Client in accordance with section 8.1(b), and where such Client is an Omnibus Client, directly to the Account Holder to be held for the benefit of the Omnibus Clients in accordance with section 8.1(b) and Article 48(7) of EMIR.

4 STEPS TO BE TAKEN BY THE CLEARINGHOUSE

- 4.1 Where a Material Default Event has occurred to an Account Holder to which this Appendix applies, the Clearinghouse shall:
- a. take any action permitted or required by applicable law as it shall deem necessary in respect of the Client Clearing Accounts of the defaulting Account Holder, including appropriating or liquidating some or all of the Collateral provided in respect of the Client Clearing Accounts;
 - b. (i) ascertain whether each Client of the defaulting Account Holder has appointed a Back-up Client Clearing Member;
 - (ii) (A) in the case of an Individual Client, ascertain whether such Client consents to having all Clearing Transactions to which the defaulting Account Holder is a party relating to that Client and recorded on an Individual Client Segregated Account be transferred to such Back-up Client Clearing Member pursuant to section 5, or (B) in the case of Omnibus Clients, ascertain whether fewer than all Omnibus Clients related to the same Omnibus Account have submitted a Porting Objection Notice, whereby the Clearinghouse will start the process of having all Clearing Transactions to which the defaulting Clearing Member is a party relating to such Omnibus Client(s) and Recorded on an Omnibus Account transferred to a Back-up Client Clearing Member pursuant to section 6;
 - (iii) (A) in the case of an Individual Client, ascertain whether such Client consents to having all Collateral provided by the defaulting Account Holder relating to that Client transferred to such Back-up Client Clearing Member pursuant to section 5, or (B) in the case of Omnibus Clients, ascertain whether fewer than all Omnibus Clients related to the same Omnibus Account have submitted a Porting Objection Notice, whereby the Clearinghouse will start the process of having all Collateral Balance provided by the defaulting Clearing Member relating to such Omnibus Clients transferred to a Back-up Client Clearing Member pursuant to section 6; and
 - (iv) once satisfied as to (i), (ii) and (iii), and subject to the request by the Back-up Client Clearing Member, send details of such Clearing Transactions and, where appropriate, Collateral and the Collateral Balance relating to such Client Clearing Account to such Back-up Client Clearing Member and, subject to obtaining the Back-up Client Clearing Member's consent, transfer such Clearing Transactions and the Collateral Balance pursuant to sections 5 or 6.

5 INDIVIDUAL CLIENT SEGREGATED ACCOUNT PORTING

- 5.1 Where the Clearinghouse has determined that a Client of a defaulting Account Holder in respect of an Individual Client Segregated Account (the "Individual Client") and its Back-up Client Clearing Member have agreed that all Clearing Transactions to which the defaulting Account Holder is a party relating to that Client and the Collateral Balance be transferred to such Back-up Client Clearing Member:
- a. the Clearinghouse shall (x) transfer all such Clearing Transactions to such Back-up Client Clearing Member; or (y) terminate and close out such Clearing Transactions at their market value (as determined by the Clearinghouse in its discretion) and enter into new contracts on equivalent terms to such Clearing Transactions with such Back-up Client Clearing Member in respect of such Client;
 - b. the Clearinghouse shall transfer the related Collateral Balance in respect of that Client's Individual Client Segregated Account, having first appropriated all Collateral (other than cash collateral) that has not been liquidated, to the Individual Client Segregated Account in respect of such Client held by such Back-up Client Clearing Member; and
 - c. the amount due to be returned to the defaulting Account Holder in respect of such Individual Client Segregated Account shall be reduced by an amount equivalent to the amount transferred under (a) and (b) above.

6 OMNIBUS ACCOUNT PORTING

- 6.1 Where the Clearinghouse has determined that (A) all Clients of a defaulting Account Holder in respect of an Omnibus Account (the "Omnibus Clients") have appointed the same single Back-up Client Clearing Member, (B) that fewer than all all Omnibus Clients have submitted a timely Porting Objection Notice pursuant to section 4, and (C) that the Back-up Client Clearing Member have agreed that all Clearing Transactions to which the defaulting Account Holder is a party relating to those Omnibus Clients and the Collateral Balance be transferred to such Back-up Client Clearing Member, then:
- a. the Clearinghouse shall (x) transfer all such Clearing Transactions to such Back-up Client Clearing Member (regardless of whether some Omnibus Clients submitted a Porting Objection Notice); or (y) terminate and close out such Clearing Transactions at their market value (as determined by the Clearinghouse in its discretion) and enter into new contracts on equivalent terms to such Clearing Transactions with such Back-up Client Clearing Member in respect of such Omnibus Clients (regardless of whether some Omnibus Clients submitted a Porting Objection Notice);
 - b. the Clearinghouse shall transfer the related Collateral Balance in respect of those Omnibus Clients' Omnibus Account, having first appropriated all Collateral (other than cash collateral) that has not been liquidated, to the Omnibus Account in respect of all such Omnibus Clients held by such Back-up Client Clearing Member; and
 - c. the amount due to be returned to the defaulting Account Holder in respect of such Omnibus Account shall be reduced by an amount equivalent to the amount transferred under (a) and (b) above.

7 CONSENTS AND CONDITIONS

- 7.1 For the purposes of section 4.1b, the relevant Individual Client, Omnibus Clients and Back-up Client Clearing Member may provide their consent, non-objection or objection to the Clearinghouse orally or in writing (including by facsimile and email) and such consent, non-objection or objection once received by the Clearinghouse, shall be irrevocable. If the Clearinghouse has not received all necessary consents within such time period as it determines in its sole discretion, then neither section 5 nor section 6 shall apply, and the Clearinghouse shall instead act in accordance with section 8.
- 7.2 For the purposes of sections 5 and 6, no transfer of the Clearing Transactions or Collateral Balance with respect to a particular Client, or Clients in the case of an Omnibus Account, shall be effected by the Clearinghouse, until such time as the Clearinghouse is satisfied that all applicable margin requirements (if any) have been met by the Back-up Client Clearing Member in anticipation of such transfer.

8 ALLOCATION AND RETURN OF CLIENT BALANCE

- 8.1 In relation to those Clients of a defaulting Account Holder whose open Clearing Transactions are not dealt with pursuant to section 5 or 6 within 24 hours from calling the default of such defaulting Account Holder or by such later time as the Clearinghouse may determine in its discretion:
- a. the Clearinghouse shall have the right to elect, without consulting the defaulting Account Holder or the Client and at the defaulting Account Holder's or Client's expense,
 - (i) to take one or more of the measures stated in section 8 of the General Terms of the Clearing Rules; and
 - (ii) following the taking of any such measures, calculate the Collateral Balance following the deduction of any costs, fees or expenses incurred by the Clearinghouse which are associated with the taking of any such action; and
 - b. the Clearinghouse shall determine the Client Balance and pay an amount and/or return Collateral, that together constitute the value of such Client Balance, having first appropriated all Collateral (other than cash collateral) that has not been liquidated, to (a) in the case of an Individual Client, such Individual Client or (b) when payment under (a) cannot be made, or in the case of Omnibus Clients, the relevant Account Holder (or any applicable insolvency official of such Account Holder) for the account of such Client(s) on terms, to the extent possible under insolvency laws applicable to the Account Holder, that creditors of the Account Holder other than such Client(s) (whether directly or indirectly by virtue of being general creditors of the Account Holder's estate) shall not have recourse to such assets so delivered, subject to the execution of appropriate documentation (which may, without limitation, include an indemnity (secured or otherwise) and a release of the Clearinghouse from any liability) between the Clearinghouse and the relevant Client(s); and
 - c. the amount due to be returned to the defaulting Account Holder in respect of a Client Clearing Account shall be reduced by an amount equivalent to the amount returned in respect of that Client Clearing Account under (b) above.

9 INDEMNITY

- 9.1 The relevant defaulting Account Holder consents to the measures described in section 5 and 6 or, in case no such measure is taken, the measures described in section 8 and agrees to indemnify the Clearinghouse for any cost or loss suffered or payment made as a result of the application of any of these sections.

10 CLIENT CLEARING AGREEMENT

- 10.1 No Client Clearing Agreement shall include any provision, the effect of which would be to restrict a Client's ability to provide consent to the transfer of Clearing Transactions and Collateral Balance to a Back-up Client Clearing Member pursuant section 4.1(b) or 7, or to otherwise limit the ability for the Clearinghouse to take any action required in order to execute the transfer of Clearing Transactions and Collateral Balance in accordance with this Appendix.
- 10.2 The Account Holder shall enter into a Client Clearing Agreement with each Client for which it holds a Client Clearing Account. Such Client Clearing Agreement shall include provisions with the following effect:
- a. Where a Material Default Event has occurred to an Account Holder to which this Appendix applies, each Associated Client Transaction shall automatically terminate at or before the same time as the related Clearing Transaction is terminated or transferred pursuant to section 5 or 6;
 - b. upon termination of an Associated Client Transaction under section 10.2(a), the value of each such terminated transaction shall be equal to the value of the related Clearing Transaction as determined by the Clearinghouse as of the time that the Clearing Transaction is terminated or transferred;
 - c. following a Material Default Event of an Account Holder, to the extent a Client receives (including the relevant Account Holder (or any applicable insolvency official of such Account Holder) receiving for the account of its Client in accordance with section 8.1b above) payment or delivery from the Clearinghouse of an amount in respect of (a) in relation to an Individual Client, its Client Balance or (b) in relation to an Omnibus Client, the relevant pro rata share of such Client Balance, if such amount received is greater than the value of all Liabilities, Client covenants to pay to the Account Holder, as soon as reasonably practicable, upon written demand therefor, an amount equal to the

- excess, if any, of (x) the amount so paid or delivered to it, over (y) the value of all such Liabilities;
- d. following a Material Default Event of an Account Holder, to the extent the Collateral Balance and relevant Clearing Transactions in respect of the Client are transferred to a Back-up Client Clearing Member pursuant to section 5 or 6, if the value of the amount so transferred is greater than the value of all Liabilities, Client covenants to pay to the Account Holder, as soon as reasonably practicable, upon written demand therefor, an amount equal to the excess, if any, of (x) the value of the amount so transferred, over (y) the value of all such Liabilities;
 - e. by entering into the relevant Client Clearing Agreement, Client agrees to indemnify the Account Holder and the Clearinghouse for any reasonable costs or expenses incurred as a result of any claims in connection with any steps taken under sections 5 and 6 brought by any Back-up Client Clearing Member (or on such Back-up Client Clearing Member's behalf), or by any trustee, administrator, conservator or receiver appointed in respect of such Back-up Client Clearing Member or its affairs or its business, including reasonable attorney's fees in connection with defending against any such claims, save that the Client shall not be liable to the Clearinghouse where the Clearinghouse has not taken normal care in exercising its right under sections 5 and 6; and
 - f. where the Clearinghouse transfers to a Back-up Client Clearing Member (x) the Collateral Balance in respect of a Client's Individual Client Segregated Account to the Individual Client Segregated Account in respect of such Client held by such Back-up Client Clearing Member pursuant to section 5; and/or (y) the Collateral Balance in respect of Clients' Omnibus Account to the Omnibus Account in respect of all such Clients held by such Back-up Client Clearing Member pursuant to section 6, such Collateral Balance shall thereupon constitute Collateral that has been transferred to such Back-up Client Clearing Member by such Client(s) under the relevant Client Clearing Agreement(s) and the amount due to be returned to the Client in respect of such Individual Client Segregated Account and/or Omnibus Account (as applicable) shall be increased by an amount equivalent to the amount of the Collateral Balance so transferred.

In the event that no such Client Clearing Agreement has been entered into, or if there are any deficiencies in the Client Clearing Agreement, the Account Holder and Client will be deemed to have been entered into an agreement incorporating the provisions set out in section 10.2.

11 IDENTIFICATION OF OMNIBUS CLIENTS

- 11.1 If in connection with a Material Default Event of an Account Holder holding an Omnibus Account, sufficient information is made available to the Clearinghouse including at least the following items: (i) the identity of each Omnibus Client in such Omnibus Account, (ii) details of the positions of each such Omnibus Client in such Omnibus Account, (iii) each such Omnibus Client's pro rata share of the Collateral Balance of such Omnibus Account, and (iv) all necessary payment details, the Clearinghouse shall perform the relevant calculations specified in this Appendix and, where relevant, return any resulting balances directly to the relevant Omnibus Clients in a manner consistent with the provisions of this Appendix and Article 48 of EMIR.

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