

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): _____

Organization: ICE Clear Europe Limited

Filing as a: DCM SEF DCO SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 08/18/2014 Filing Description:

ICE Clear Europe submits for self-certification amendments that modify the Clearing Rules and Procedures to remove references to the "U.S. Sponsored Principal" model.

SPECIFY FILING TYPE Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | |
|--|------------|
| <input checked="" type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Notification | § 40.6(d) |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: Parts 1, 2, 3, 4, 5, 7, 8, 9, 16, 17 and 19 of the ICE Clear Europe Clearing Rules and various ICE Clear Europe Procedures.

New Product

Please note only ONE product per Submission.

- | | |
|--|------------|
| <input type="checkbox"/> Certification | § 40.2(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> Approval | § 40.3(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission | § 39.5 |

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

- | | |
|--|----------------------|
| <input type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.24(b) |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____



August 18, 2014

Ms. Melissa Jurgens
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

By Email: submissions@cftc.gov

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6 -
EMIR Rule Changes

Dear Ms. Jurgens:

ICE Clear Europe Limited (“ICE Clear Europe”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, the amendments to its clearing rules discussed herein. The amendments are to become effective on the first business day following the tenth business day after submission.

Concise Explanation and Analysis

The purpose of the rule amendments is to make further amendments to the ICE Clear Europe Clearing Rules and Procedures in connection with requirements under the European Market Infrastructure Regulation (including regulations and implementing technical standards thereunder, “EMIR”)¹ that will apply to ICE Clear Europe as an authorized central counterparty.² ICE Clear Europe has previously submitted, for self-certification under Commission Rule 40.6, amendments to its Rules and Procedures in order to comply with EMIR requirements (the “Prior EMIR Filings”).

As discussed in the Prior EMIR Filings, ICE Clear Europe did not propose to make its new individual and omnibus segregation models, including the sponsored principal model, available to FCM/BD Clearing Members or their customers. As a result,

¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as well as various implementing regulations and technical standards.

² ICE Clear Europe is separately submitting for self-certification certain related changes to its policies and procedures.

certain Rules and Procedures submitted with the Prior EMIR Filings that referred to a potential "U.S. Sponsored Principal" model were by their terms not in effect, and could not be put into effect absent a future rule change. Nonetheless, ICE Clear Europe is making this submission to remove such provisions from the Rules and Procedures as a matter of clarity and to avoid any potential confusion as to the availability of such a model.

Specifically, ICE Clear Europe proposes to remove Rule 1905 and various other references in the Rules and Procedures to U.S. Sponsored Principals and FCM/BD Clearing Members acting as Sponsors of Individually Segregated Sponsored Accounts. In addition, the revised Rules expressly provide that FCM/BD Clearing Members will not be permitted to act as Sponsors of Individually Segregated Sponsored Accounts.

The text of the proposed rule amendments are attached hereto, with additions underlined and deletions in strikethrough text.

Compliance with the Act and CFTC Regulations

As discussed in the Prior EMIR Filings, the rule changes set forth therein were designed to enhance segregation options for customers of Non-FCM/BD Clearing Members, as required under EMIR. The Prior EMIR Filings did not purport to change the customer account or segregation arrangements for FCM/BD Clearing Members and their customers, which are based on the requirements of the Act and Commission regulations. Consistent with that approach, a U.S. Sponsored Principal model is not being offered to FCM/BD Clearing Members or their customers, and the current filing is designed to remove currently inapplicable provisions relating to such a model.

ICE Clear Europe hereby certifies that the changes comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe has received no substantive opposing views in relation to the proposed rule amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent with the filing of this submission.

If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at dee.blake@theice.com or +44 20 7065 7752, Patrick Davis, head of Legal and Company Secretary, at patrick.davis@theice.com or +44 20 7065 7738, or Paul Swann, President & Managing Director, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,



Dee Blake
Director of Regulation



ICE Clear Europesm

Clearing Rules

Part 1 General Provisions

Rule 101 *Definitions*

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

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

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

The term "**Affected Customer**" means a Customer in respect of whom Applicable Laws in the Customer's jurisdiction of establishment or applicable in the context of activity on a relevant trading platform do not prevent or prohibit a Customer Account providing individual client segregation and a Customer Account providing omnibus client segregation (in the manner set out in Articles 39 and 48 of EMIR) being provided to the Customer.

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

The term "**Affiliated Person**" or "**Affiliate**" means, with respect to any specified Person, any other Person that Controls, is Controlled by, or is under common Control with, such specified Person.

The term "**Appeals Panel**" means the panel at which an appeal of a decision of a Disciplinary Panel is heard pursuant to Rule 1005.

The term "**Applicable Law**" means any applicable national, federal, supranational, state, regional, provincial, local or other statute, law, ordinance, regulation, rule, code, guidance, order, published practice or concession, regulatory requirement, judgment or decision of a Governmental Authority and, for the avoidance of doubt, includes all the provisions of EMIR, the FCA Rules, the PRA Rules, rules, regulations, guidance and approach documents of the Bank of England, the CEA, the rules and regulations of the CFTC, the Exchange Act, the rules and regulations of the SEC, any rules or regulations of any other Regulatory Authority and applicable insolvency law (including the U.S. Bankruptcy Code).

The term "**Approved Financial Institution**" means a credit institution, bank, trust company or other institution which is an "institution" as defined in the Settlement Finality Regulations and which has been designated as an approved financial institution by the Clearing House for purposes of making and receiving cash transfers to and from the Clearing House and Payment Transfer Orders.

The term "**Assessment Contribution**" means an F&O Assessment Contribution, a CDS Assessment Contribution or an FX Assessment Contribution.

The term "**Banking Consolidation Directive**" means Directive 2006/48/EC.

The term "**Board**" means the board of Directors or any other body established thereunder (whether called a board, a committee or otherwise) of the Clearing House.

The term "**Business Day**" means a day on which the Clearing House is open for business or, in relation to deliveries in respect of a particular F&O Contract, has the meaning given in the Delivery Procedures or, in relation to certain Contract Terms, has the meaning given in or pursuant to the Contract Terms Procedures, ICE Endex Rules, ICE Futures Europe Rules, ICE Futures US Rules or LIFFE Rules.

The term "**Buyer**" means, in relation to deliveries under Part 7 or a Contract of Sale, the Clearing Member (or Sponsored Principal) or the Clearing House, whichever is obliged to receive delivery of a Deliverable (whether itself or through another Person).

The term "**Buying Counterparty**" means, in respect of a Contract: (a) except in circumstances in which sub-paragraph (c) below applies, the Clearing Member that was, before formation of a Contract, party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer (or, in relation to CDS Contracts, as protection buyer or, in relation to a Financially-Settled FX Contract, Reference Currency Buyer); (b) except in circumstances in which sub-paragraph (c) below applies, where a Non-FCM/BD Clearing Member's Customer is a party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer, protection buyer or Reference Currency Buyer (as applicable), the Clearing Member that provides clearing services to that Customer in relation to the Transaction in question (or, for F&O Contracts, if more than one such Clearing Member exists, the Clearing Member that was selected by the Customer for the initial booking of that Transaction); (c) where an FCM/BD Customer is a party to the corresponding Transaction (or specified in the CDS Trade Particulars or FX Trade Particulars) as buyer, protection buyer or Reference Currency Buyer (as applicable), the FCM/BD Clearing Member clearing on behalf of such FCM/BD Customer; (d) in relation to F&O Contracts only and overriding any designation that would occur pursuant to (a), (b) or (c) above, where one Clearing Member that would be the Buying Counterparty in accordance with (a), (b) or (c) above has allocated an F&O Transaction to another Clearing Member for clearing in accordance with Market Rules, the Clearing Member to whom such F&O Transaction is allocated; or (e) notwithstanding (a) to (d), in respect of an Individually Segregated Sponsored Account, the Sponsored Principal shall act as principal to all Contracts as the Buying Counterparty on a joint and several basis with ~~(or, in the case of a U.S. Sponsored Principal, guaranteed by)~~ the Sponsor, instead of the relevant Clearing Member referred to in (a) to (d) above, subject to and as set out in Part 19.

The term "**CAD**" means Canadian dollars, or any other lawful currency that is a successor to it.

The term "**Call**", in respect of an F&O Contract, means an Option pursuant to which a Person with a Long position has the actual or notional right to buy a Deliverable from a Person with a Short position at the Strike Price and at a specified time.

The term "**Capital**":

- (a) with respect to a Non-FCM/BD Clearing Member or a Sponsored Principal that is not an FCM/BD, has the same meaning as the term "own funds", as such term is defined in the

Banking Consolidation Directive and determined on a stand-alone (non-consolidated) basis and subject to the limits and deductions set out therein and, in relation to matters reserved for member states, as implemented in the United Kingdom, whether or not the relevant Clearing Member is subject to the Banking Consolidation Directive or the supervision of the PRA; or

- (b) with respect to an FCM/BD Clearing Member ~~or a Sponsored Principal that is an FCM/BD~~, means its "adjusted net capital" as defined in CFTC Rule 1.17,

and, in either case, such other classes of capital as are permitted at the Clearing House's discretion pursuant to the Finance Procedures.

The term "**CDS**" means credit default swap.

The term "**CDS Assessment Amount**" means the total amount of all CDS Assessment Contributions payable by CDS Clearing Members pursuant to Rule 910(a) in respect of an Event of Default.

The term "**CDS Assessment Contribution**" has the meaning set out in Rule 910(b).

The term "**CDS Clearing Member**" means a Clearing Member that is authorised by the Clearing House to become party to CDS Contracts.

The term "**CDS Contract**" means a Contract that is a CDS to which the Clearing House is party in accordance with these Rules and the CDS Procedures, which may be in the form of a CDS relating to an index or a single reference entity or in the form of a Component Transaction (as defined in Part 15).

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

The term "**CDS Guaranty Fund**" means the guaranty fund established and maintained pursuant to Part 11 relating to the Clearing of CDS Contracts.

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

The term "**CDS Standard Terms**" means the form of Customer-CM CDS Transaction Standard Terms as published by the Clearing House from time to time as an Exhibit to these Rules, but which do not form part of these Rules, which are applicable as between each Non-FCM/BD CDS Clearing Member and each of its Customers in relation to CDS Clearing, as amended from time to time in accordance with the CDS Standard Terms.

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

Committees, Auction Settlement and Restructuring Supplement to the Credit Derivatives Definitions (published by ISDA on 14 July 2009) and the Credit Derivatives Determinations Committees Rules (published by ISDA and as amended from time to time) including as supplemented or modified by incorporation of any additional provisions thereto (howsoever described) under, and as amended by, the Contract Terms for any relevant CDS Contract from time to time.

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

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

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

The term "**Customer**" means a Person who is a client or customer of a Clearing Member (which Customer may, subject to Applicable Law, be acting for one or more other clients or customers for purposes of the clearing of Contracts). In respect of a Sponsor ~~that is a Non-FCM/BD Clearing Member~~, the term includes each of its Sponsored Principals. ~~Notwithstanding anything to the contrary herein, a U.S. Sponsored Principal will not be deemed a Customer of the Sponsor or any other Clearing Member.~~

The term "**Customer Account**" means any one customer account at the Clearing House of the various different Customer Account Categories and comprises in the case of each Customer Account the related Customer Position Account and Customer Margin Account. ~~For the avoidance of doubt, the Individually Segregated Sponsored Account of a U.S. Sponsored Principal will not constitute a Customer Account of the related Sponsor.~~

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

- (i) in relation to an FCM/BD Clearing Member, any of the following categories of Customer Account of such FCM/BD Clearing Member:
 - (A) each different DCM Customer Account;
 - (B) each different Non-DCM/Swap Customer Account;
 - (C) each different Swap Customer Account;
 - (D) each different General Customer Account; and
 - (E) each different SBS Customer Account; and
- (ii) in relation to a Non-FCM/BD Clearing Member, any of the following categories of Customer Account of such Non-FCM/BD Clearing Member:

- (A) each different Segregated Customer Omnibus Account For F&O;
- (B) each different Segregated TTFCA Customer Omnibus Account For F&O;
- (C) each different Segregated Customer Omnibus Account For CDS;
- (D) each different Segregated TTFCA Customer Omnibus Account For CDS;
- (E) each different Segregated Customer Omnibus Account For FX;
- (F) each different Segregated TTFCA Customer Omnibus Account For FX;
- (G) each different Individually Segregated Margin-flow Co-mingled Account;
- (H) each different Omnibus Margin-flow Co-mingled Account;or
- (I) each different Individually Segregated Sponsored Account each of which is a Customer Account of the Sponsor opened at the Clearing House in the name of the Sponsored Principal.

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

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

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

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

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

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

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

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

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

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

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

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

The term "**FCM/BD Clearing Member**" means a Clearing Member that is an FCM/BD.

The term "**FCM/BD Customer**" means any Customer that is: (a) a customer (as defined in CFTC Rule 39.2) of an FCM/BD Clearing Member with respect to any Contract in one or more account classes (as defined in CFTC Rule 190.01) (other than a non-public customer as defined in CFTC Rule 190.01); or (b) a customer (as defined in SEC Rule 15c3-3) of an FCM/BD Clearing Member with respect to any Contract recorded in an SBS Customer Account; provided that for the avoidance of doubt the term "FCM/BD Customer" will: ~~(i) include a Customer of an FCM/BD Clearing Member (which Customer may, but need not, be an Affiliate of that FCM/BD Clearing Member or another Clearing Member) that is itself acting on behalf of one or more customers (other than non-public customers, as so defined) with respect to a Contract; and (ii) if the FCM/BD Clearing Member is a Sponsor, exclude its Sponsored Principals.~~

The term "**Financial Collateral Regulations**" means the Financial Collateral Arrangements (No. 2) Regulations 2003 (which implement Directive 2002/47/EC on financial collateral arrangements).

The term "**Financial Emergency**" means, with respect to any Clearing Member, any situation in which the financial or operational condition of such Clearing Member or any of its Designated Controllers is not or is likely not to be, in either case determined at the discretion of the Clearing House, adequate for such Clearing Member to meet its obligations (including, without limitation, its obligations to comply with these Rules) or to engage in business, or is such that it would not be in the best interests of the Clearing House or the marketplace for such Clearing Member to continue to be a Clearing Member.

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

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

economically similar transaction that is not an investment). An FX Swap may be submitted for Clearing as two separate sets of FX Trade Particulars or part of an FX Swap may be submitted for Clearing as a single set of FX Trade Particulars.

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

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

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

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

The term "**General Customer Account**" means a kind of Customer Account with the Clearing House opened in the name of an FCM/BD Clearing Member for the recording of F&O Contracts

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

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

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

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

~~The term "**Individually Segregated Sponsored Account**" means an Account of a Sponsored Principal:~~

~~(i) if the Sponsor is a Non-FCM/BD Clearing Member~~The term "**Individually Segregated Sponsored Account**" means an Account of a Sponsored Principal, being a kind of Customer Account at the Clearing House for the recording of positions and related Margin, in which solely assets and positions relating to the Sponsored Principal are recorded;~~and, enabling the Sponsor and Clearing House to distinguish the assets and positions recorded in the relevant Individually Segregated Sponsored Account from assets and positions relating to other Customers of the Sponsor in its capacity as a Clearing Member and from the assets and positions relating to other Sponsored Principals and Customers.~~

~~(ii) in the case of a U.S. Sponsored Principal, means a kind of Account at the Clearing House being a Proprietary Account of such Sponsored Principal for the recording of positions and related Margin recorded in the account of such Sponsored Principal in which solely assets and positions and related Margin relating to the Sponsored Principal are recorded,~~

~~in either case enabling the Sponsor and Clearing House to distinguish the assets and positions recorded in the relevant Individually Segregated Sponsored Account from assets and positions relating to:~~

~~(x) in the case of a U.S. Sponsored Principal, Customers; or~~

~~(y) in the case of a Sponsor that is a Non-FCM/BD Clearing Member, other Customers,~~

~~in either case of the Sponsor in its capacity as a Clearing Member and from the assets and positions relating to other Sponsored Principals and Customers.~~

The term "**Initial Margin**" means the Permitted Cover required to be provided or actually provided (by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or by way of pledge pursuant to a Pledged Collateral Addendum) to the Clearing House as collateral for the obligations of a Clearing Member or Sponsored Principal in respect of CDS Contracts, including Portfolio Risk Margin, Physical Settlement Margin and other margin transferred in relation to CDS Contracts pursuant to Part 5 including any margin provided in relation to CDS Contracts pursuant to Rule 502(g), in each case as calculated or permitted to be called in accordance with the risk policies of the Clearing House, but excluding in any case Mark-to-Market Margin and any Customer-CM Collateral that is not transferred to the Clearing House and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Initial Payment**" means, in relation to a CDS Contract, the payment, if any, specified as the "Initial Payment Amount" under the Contract Terms for such CDS Contract and, in relation to a Bilateral CDS Transaction or CDS Trade Particulars, the payment, usually described therein as the "Initial Payment Amount" or "Additional Amount", payable by one party thereto to the other usually not later than the third business day after the trade date of such Bilateral CDS Transaction or CDS Trade Particulars.

The term "**Insolvency**" means, in relation to any Person: a bankruptcy or winding-up petition being presented; a bankruptcy order being made; a voluntary arrangement being approved; an Insolvency Practitioner being appointed or petition or order being made for such an appointment; a composition or scheme of arrangement being approved by a court or other Governmental Authority; an assignment, compromise or composition being made or approved for the benefit of any creditors or significant creditor; an order being made or resolution being passed for winding up; dissolution; the striking off of that Person's name from a register of companies or other corporate bodies; a distress process being levied or enforced or served upon or against property of that Person; a Governmental Authority making an order pursuant to which any of that Person's securities, property, rights or liabilities are transferred; a Governmental Authority exercising one or more of its stabilisation powers under the Banking Act 2009 in respect of that Person; a trust deed granted by it becoming a protected trust deed (where the terms 'trust deed' and 'protected trust deed' are construed in accordance with section 73(1) of the Bankruptcy (Scotland) Act 1985) and, for CDS Clearing Members and Sponsored Principals in respect of CDS Contracts only, also any event not otherwise falling within this definition but which constitutes a Bankruptcy in respect of such CDS Clearing Member or Sponsored Principal; or any event analogous to any of the foregoing in any jurisdiction (always excluding any frivolous or

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

The term "**Margin-flow Co-mingled Account**" means a kind of Customer Account of a Non-FCM/BD Clearing Member at the Clearing House for the recording of positions and related Margin, in which solely assets and positions and related Margin relating to a particular Customer (or a particular group of Customers) are recorded, enabling the Clearing House to distinguish the assets and positions recorded in such account from assets, positions and Margin relating to other Customers of the Clearing Member and from assets, positions and Margin relating to Sponsored Principals, but in respect of which transfers of Permitted Cover to and from the Clearing House are co-mingled or netted with transfers of Permitted Cover relating to other Margin-flow Co-mingled Accounts of the same Clearing Member in accordance with Rules 302(a)(v)-(vi) and 503(k). A Margin-flow Co-mingled Account may be an Account: (i) in which solely assets and positions and related Margin relating to a particular Customer are recorded, in which case it will be an "**Individually Segregated Margin-flow Co-mingled Account**" and result in 'individual client segregation' for purposes of EMIR; or (ii) in which assets and positions and related Margin relating to a group of Customers (such as, without limitation, Customers that are Affiliates of one another or Customers which are all funds managed by the same fund manager or fund managers that are Affiliates of one another) are recorded, in which case it will be an "**Omnibus Margin-flow Co-mingled Account**" and result in 'omnibus client segregation' for purposes of EMIR.

The term "**Mark-to-Market Margin**" means cash required to be provided or actually provided by a Clearing Member or Sponsored Principal (by way of title transfer pursuant to a Clearing Membership Agreement or Sponsored Principal Clearing Agreement or, or for FCM/BD Clearing Members ~~or U.S. Sponsored Principals only~~, by way of pledge pursuant to a Pledged Collateral Addendum) to the Clearing House or by the Clearing House to a Clearing Member related to the market value of a Clearing Member's or Sponsored Principal's Open Contract Positions relating to CDS Contracts, as determined pursuant to Rule 503(f)(ii) and the Finance Procedures and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Mark-to-Market Price**" has the meaning given in Rule 503(g).

The term "**Market**" means ICE Endex, ICE Futures Europe, ICE Futures US, LIFFE and any other market for which the Clearing House provides or may provide Clearing services (and for the purposes of Clearing Membership Agreements for CDS Clearing Members and FX Clearing Members only, also includes the over-the-counter markets for CDS and FX).

The term "**Market Rules**" means the rules, regulations, procedures of, and agreements governing, a Market, including the ICE Endex Rules, ICE Futures Europe Rules, ICE Futures US Rules, LIFFE Rules and the procedures of each of ICE Endex, ICE Futures Europe, ICE Futures US and LIFFE.

The term "**Membership Category**" means any of the three membership categories, as applicable to the clearing permissions of a Clearing Member or Sponsored Principal, that are linked to a specific Guaranty Fund, i.e. F&O, CDS and FX.

The term "**Monetary Default**" means a Clearing Member or Sponsored Principal failing to transfer to, deposit with, or pay to, the Clearing House in full any Margin, Guaranty Fund Contribution, amount due under or in connection with any Contract or other amount due to the Clearing House or required by or pursuant to Market Rules, unless such failure constitutes a Force Majeure Event affecting the relevant Clearing Member or Sponsored Principal.

The term "**Money Laundering Directive**" means Directive 2005/60/EC and relevant implementing measures in each member state of the European Economic Area which has implemented Directive 2005/60/EC, including the Money Laundering Regulations 2007.

The term "**Nominated Bank Account**" means a Nominated Customer Bank Account or a Nominated Proprietary Bank Account.

The term "**Nominated Customer Bank Account**" means an account (if any) of a Clearing Member at an Approved Financial Institution, nominated by the Clearing Member in accordance with the Finance Procedures, used by the Clearing Member for transfers to or from the Clearing House of amounts due in respect of a particular Customer Account (or all its Margin-flow Co-mingled Accounts) which may be designated by a Clearing Member for payments in respect of a single Customer Account or Customer Accounts of a particular Customer Account Category (or all its Margin-flow Co-mingled Accounts). For the avoidance of doubt, a Nominated Customer Bank Account is not and does not form part of a Customer Account. The term includes a similar account nominated by a Sponsored Principal in accordance with Rule ~~1905, where the Sponsor is a Non-FCM/BD Clearing Member, 1901(b) and 1902~~, which must be linked to the relevant Individually Segregated Sponsored Account.

The term "**Nominated Proprietary Bank Account**" means an account of a Clearing Member at an Approved Financial Institution, nominated by the Clearing Member in accordance with the Finance Procedures, used by the Clearing Member for transfers to or from the Clearing House of amounts due in respect of a Proprietary Account, which may be designated for payments in respect of F&O Contracts, FX Contracts, CDS Contracts or any or all of them. For the avoidance of doubt, a Nominated Proprietary Bank Account is not and does not form part of a Proprietary Account. ~~The term includes a similar account nominated by a U.S. Sponsored Principal in accordance with Rule 1901, which must be linked to the relevant Individually Segregated Sponsored Account.~~

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

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

another category of FCM/BD Customer ~~or a Sponsored Principal~~ in relation to other transactions or Contracts.

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

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

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

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

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

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

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

(a) *Contract Position* means:

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

The term "**Proprietary Account Contract**" means a Contract recorded in a Proprietary Position Account (or any sub-account thereof).

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

The "**Proprietary Margin Account**" forms part of a Proprietary Account and the term means an account with the Clearing House which is not a Customer Margin Account, opened in the name of a Clearing Member for the recording of debits and credits of Margin in respect of Proprietary Account Contracts recorded in the related Proprietary Position Account, which may be divided for administrative convenience only into sub-accounts including for F&O Contracts only, for CDS Contracts only or for FX Contracts only. ~~In respect of an Individually Segregated Sponsored Account of a U.S. Sponsored Principal, the term includes a similar account of a Sponsored Principal which is linked to the relevant Individually Segregated Sponsored Account (but nothing in this definition shall result in an Individually Segregated Account being a Proprietary Account of the Sponsor).~~

The "**Proprietary Position Account**" forms part of a Proprietary Account and the term means an account with the Clearing House which is not a Customer Position Account, opened in the name of a Clearing Member in which Proprietary Account Contracts entered into by the Clearing Member (whether directly or indirectly) and/or related Open Contract Positions are recorded, which may be divided for administrative convenience only into sub-accounts including for F&O Contracts only, for CDS Contracts only or for FX Contracts only. ~~In respect of an Individually Segregated Sponsored Account of a U.S. Sponsored Principal, the term includes a similar account of a Sponsored Principal which is linked to the relevant Individually Segregated Sponsored Account (but nothing in this definition shall result in an Individually Segregated Account being a Proprietary Account of the Sponsor).~~

The term "**Put**", in respect of an F&O Contract, means an Option pursuant to which the Person with a Long position has the right to sell a Future or Futures to the Person with a Short position at the Strike Price and at a specified time.

The term "**Reference Currency Buyer**" means, (i) in respect of an FX transaction referred to in FX Trade Particulars, the person identified as the Reference Currency Buyer in the Clearing House's records of such FX Trade Particulars; and (ii) in respect of an FX Contract, the Clearing House if the Clearing Member or Sponsored Principal who is party to that FX Contract (or its Customer) was identified as the Reference Currency Buyer in the corresponding FX Trade Particulars, or the Clearing Member or Sponsored Principal who (or whose Customer) was identified as the Reference Currency Buyer in the corresponding FX Trade Particulars.

The term "**Reference Currency Seller**" means, (i) in respect of an FX transaction referred to in FX Trade Particulars, the person identified as the Reference Currency Seller in the Clearing House's records of such FX Trade Particulars; and (ii) in respect of an FX Contract, the Clearing House if the Clearing Member or Sponsored Principal who is party to that FX Contract (or its Customer) was identified as the Reference Currency Seller in the corresponding FX Trade Particulars, or the Clearing Member or Sponsored Principal who (or whose Customer) was identified as the Reference Currency Seller in the corresponding FX Trade Particulars.

The term "**Reference Price**" in respect of F&O Contracts and a Set of Options or an Option, means the reference price determined by the Clearing House on the basis of data provided by the relevant Market or otherwise pursuant to Rule 802.

The term "**Regulatory Authority**" means any Governmental Authority which exercises a regulatory or supervisory function under the laws of any jurisdiction in relation to financial services, the financial markets, Exchanges or Clearing Organisations (including, without limitation, the FCA, the PRA, any other Person given powers under the FSMA, the Bank of England, HM Treasury, the college (as defined in EMIR) or any member of such college, the European System of Central Banks, the CFTC and the SEC).

The term "**Repository**" means a trade repository (as defined in EMIR) used for the reporting of Contracts (which may also be used for the recording of Transactions submitted for Clearing).

The term "**Representative**" means any Person that carries out or is responsible for (or purports to carry out or be responsible for) any of the functions of another Person, including without limitation any director, partner, officer, executive, employee, Affiliate, Customer, contractor or agent of that other Person (provided, in the case of a Clearing Member, that a Customer will only be treated as a Representative of a Clearing Member in respect of any act, omission, conduct or behaviour in its capacity as a Customer to the extent that the Clearing Member is bound by the conduct of such Customer pursuant to Rule 102(j) or Rule 1516(b)). In relation to an Individually Segregated Sponsored Account ~~(other than a U.S. Sponsored Principal)~~, the Sponsor is a Representative of the Sponsored Principal.

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

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

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

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

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

(or specified in the CDS Trade Particulars or FX Trade Particulars) as seller, protection seller or Reference Currency Seller (as applicable), the FCM/BD Clearing Member clearing on behalf of such FCM/BD Customer; (d) in relation to F&O Contracts only and overriding any designation that would occur pursuant to (a), (b) or (c) above, where one Clearing Member that would be a Selling Counterparty in accordance with (a), (b) or (c) above has allocated an F&O Transaction to another Clearing Member for clearing in accordance with Market Rules, the Clearing Member to whom such F&O Transaction is allocated; or (e) notwithstanding (a) to (d), in respect of an Individually Segregated Sponsored Account, the Sponsored Principal shall act as principal to all Contracts as the Selling Counterparty on a joint and several basis with ~~(or, in the case of a U.S. Sponsored Principal, guaranteed by)~~ the Sponsor, instead of the relevant Clearing Member referred to in (a) to (d) above, subject to and as set out in Part 19.

The term "**Set**" means:

- (a) for Futures Contracts: a set or class of Contracts that are identical as to their terms (including the Deliverable to which such Contract relates and contract date; but excluding any amount paid or to be paid for entry into the Contract and any amount paid or to be paid in respect of settlement or delivery of a Contract);
- (b) for Options Contracts: a set of Contracts that are identical as to their terms (including the Deliverable to which such Contracts relate, contract date and strike price; but excluding any amount paid or to be paid for entry into or writing of a Contract and any amount paid or to be paid in respect of settlement);
- (c) for CDS Contracts that are based on an index (including Triggered Restructuring CDS Contract Portions and Component Transactions forming part thereof or, pursuant to the Rules, resulting therefrom), a set of Contracts that are similar as to their terms (including, without limitation, identical as to their terms concerning the reference entities and obligations to which any payment or delivery obligation is linked, series number, fixed rate and scheduled termination date; but which may differ, without limitation, as to any Initial Payment, the 'Trade Date' and any provisions relating to tax or the provision of forms relating to tax);
- (d) for CDS Contracts that are based on a single reference entity, a set of Contracts that are similar as to their terms (including, without limitation, identical as to their terms concerning the reference entity and obligations to which any payment or delivery obligation is linked, fixed rate, scheduled termination date and, where terms are determined by reference to a "Physical Settlement Matrix", referring to the same version of such "Physical Settlement Matrix"; but which may differ, without limitation, as to any Initial Payment, the 'Trade Date' and any provisions relating to tax or the provision of forms relating to tax); and
- (e) for Financially-Settled FX Contracts: a set of Contracts that are identical as to their terms and economic characteristics (including the currency pair to which such Financially-Settled FX Contracts relate and their FX Settlement Date; but excluding any amount paid or to be paid for entry into or writing of the Financially-Settled FX Contract, any amount paid or to be paid in respect of settlement under the Financially-Settled FX

Contract and the position of the FX Clearing Member or Clearing House as Reference Currency Buyer or Reference Currency Seller).

The term "**Settlement and Notices Terms**" means the Settlement and Notices Terms as published by the Clearing House from time to time as an Exhibit to these Rules, but which do not form part of these Rules, which are applicable in respect of CDS Contracts, Customer-CM CDS Transactions and clearing agreements or arrangements between FCM/BD CDS Clearing Members and their Customers, as amended from time to time in accordance with the terms thereof.

The term "**Settlement Finality Regulations**" means the Financial Markets and Insolvency (Settlement Finality) Regulations 1999.

The term "**Short**", in respect of an Option, refers to the positions of Persons against whom Put Options and Call Options may be exercised.

The term "**Sponsor**" means a Clearing Member that has permission from the Clearing House to act as such, acting in its capacity as sponsor ~~(or, in the case of a U.S. Sponsored Principal, guarantor)~~ of an Individually Segregated Sponsored Account.

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

The term "**Sponsored Principal**" means the principal in respect of an Individually Segregated Sponsored Account. ~~If the Sponsor is a Non FCM/BD Clearing Member, a~~ Sponsored Principal must also be a client (as defined in EMIR) that is a Customer of the Sponsor and may be either a Segregated Customer or an Segregated TTFCA Customer.

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

The term "**Standard Terms**" means CDS Standard Terms, F&O Standard Terms or FX Standard Terms.

The term "**Strike Price**" in respect of an Option, means the price of the relevant Deliverable at which the Option may be or is exercised.

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

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

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

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

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

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

Principal) of a Clearing Member in relation to the Transaction in question and such Clearing Member (to which the relevant Standard Terms shall apply), but excluding any rights or liabilities arising pursuant to the relationship of agency between an FCM/BD Clearing Member and its Customer arising in accordance with Part 16.

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

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

The term "**Transferee Clearing Member**" means a Clearing Member which becomes party to a Contract as a result of a transfer, novation, sale or termination and replacement pursuant to Part 9 of the Rules.

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

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

The term "**USD**" means the lawful currency from time to time of the United States of America.

The term "**U.S. Future**" means (i) a Future or an Option that is an option on a Future, in either case that is traded on or subject to the rules of a designated contract market under Section 5 of the CEA and (ii) Permitted Co-mingled Contracts recorded in a DCM Customer Account. For the avoidance of doubt, U.S. Futures will not include Swaps or SBS.

The term "**U.S. Person**" means a Person that is organised under the laws of or has its principal place of business in the United States of America or a state or territory thereof.

~~The term "**U.S. Sponsored Principal**" means a Sponsored Principal that is a U.S. Person or otherwise has a Sponsor that is an FCM/BD Clearing Member and satisfies the additional requirements set forth herein for Sponsored Principals.~~

The term "**Variation Margin**" means the cash required to be provided or actually provided by a Clearing Member or Sponsored Principal to the Clearing House or by the Clearing House to a Clearing Member or Sponsored Principal related to the market value of a Clearing Member's or Sponsored Principal's Open Contract Positions relating to F&O Contracts, as determined pursuant to Rule 503(e) and the Finance Procedures and includes, where the context so requires, any proceeds of realisation of the same.

The term "**Withdrawal Date**" means, if at any time the Clearing House decides to terminate its services, either generally or in relation to a significant part of its business or certain categories of Contract, the date on which that termination will take effect.

- (xvii) gather and make available to the Clearing House basic information to identify, monitor and manage relevant concentrations of risk relating to the provision of services to Customers;
 - (xviii) upon request, inform the Clearing House about the criteria and arrangements adopted by it to allow clients access to Clearing with the Clearing House;
 - (xix) participate in default management simulations, new technology testing and other exercises, as notified by the Clearing House from time to time; and
 - (xx) be responsible for ensuring that Customers comply with their obligations in the manner set forth in the Rules and Standard Terms.
- (b) Prior to making available services relating to Clearing of CDS, F&O or FX to any Customer, a Non-FCM/BD Clearing Member is obliged to procure the agreement of such Customer to the CDS Standard Terms, F&O Standard Terms or FX Standard Terms respectively, in such a way that:
- (i) the relevant Standard Terms and/or Rules are duly cross-referenced (as being applicable to Customer-CM Transactions between such Customer and such Non-FCM/BD Clearing Member) in an agreement between the Non-FCM/BD Clearing Member and its Customer that has been duly executed and duly authorised by both of them; and
 - (ii) subject to Rule 202(c)(ii), the obligations of the Customer to the Non-FCM/BD Clearing Member and the Clearing House under the relevant Standard Terms constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application and to other matters which are standardly excluded, restricted or qualified in legal opinions (regardless of whether enforcement is sought in a proceeding in equity or at law)); and
 - (iii) automatic early termination does not apply under such agreement in respect of either the Non-FCM/BD Clearing Member or its Customer and the relevant Customer-CM Transactions (unless the party, or each of the parties, to which automatic early termination applies is incorporated in Switzerland, Germany or any other jurisdiction approved by the Clearing House for such purposes).

To the extent that it agrees to be bound by the Rules, a Customer of a Non-FCM/BD Clearing Member will be deemed to be bound by each set of relevant Standard Terms in such a manner.

- (c) Where:

Customer Accounts, ~~as well as being able to act as Sponsor in respect of any number of Individually Segregated Sponsored Accounts.~~ A Non-FCM/BD Clearing Member shall be eligible to have any number of Proprietary Accounts, Segregated Customer Omnibus Accounts For F&O, Segregated TTFCA Customer Omnibus Accounts For F&O, Segregated Customer Omnibus Accounts For CDS, Segregated TTFCA Customer Omnibus Accounts For CDS, Segregated Customer Omnibus Accounts For FX and Segregated TTFCA Customer Omnibus Accounts for FX, as well as having any number of Margin-flow Co-mingled Accounts and being able to act as Sponsor in respect of any number of Individually Segregated Sponsored Accounts.

- (e) A Disclosed Principal Member shall be liable as principal to the Clearing House and responsible for all obligations arising in respect of the Proprietary Account referable to the Clearing Member that has appointed it as a Disclosed Principal Member, instead of the Clearing Member. Where the Clearing Member appoints a Disclosed Principal Member, there shall be no Customer Account for either the Clearing Member or the Disclosed Principal Member and the only Proprietary Account shall be that of the Disclosed Principal Member.
- (f) Subject to Market requirements (if any), a Clearing Member may appoint another Clearing Member to perform specific functions, including deliveries, on the first Clearing Member's behalf. In order to do so, the relevant Clearing Members, the Market (if any) and the Clearing House must be party to an agreement pursuant to which the second Clearing Member agrees to perform specific functions detailed in the agreement on behalf of the first Clearing Member. A Clearing Member intending to perform functions for another Clearing Member will represent and warrant to the Clearing House that it has sufficient authorisation under the FSMA and other Applicable Laws to carry on such function.
- (g) The following categories of Clearing Members will not be permitted to clear LIFFE Contracts that are futures or options on underlying U.S. securities (other than futures contracts on broad-based security indices): (i) FCM/BD Clearing Members; (ii) other Clearing Members that are organised in the United States of America; and (iii) other Clearing Members having a U.S. residence, based upon the location of their executive office or principal place of business, including, without limitation, (a) a U.S. bank (as defined by Section 3(a)(6) of the Exchange Act), and (b) a foreign branch of a U.S. bank or U.S. registered broker-dealer.

Rule 208 *Suspension of Clearing Member*

- (a) A Clearing Member may be suspended:
 - (i) if one or more of the conditions set out in Rule 209(a)(i) to (v) is satisfied;
 - (ii) upon any breach by the Clearing Member of these Rules;
 - (iii) if a Market suspends the Clearing Member or any of its trading privileges;

Clearing Member or any branch or Affiliate of the Clearing House or of such Clearing Member, under any other agreements.

Rule 304 *Sponsored Principals and Sponsors*

- (a) This Part 3 applies to Sponsored Principals in the same way as it applies to Clearing Members, with the following modifications:
- (i) Rule 301(k) does not apply.
 - (ii) Rule 302(a) does not apply. Amounts payable to or by the Clearing House in a particular currency (as determined in accordance with the Finance Procedures) will be settled on a net basis, as set out below and in accordance with the Finance Procedures. The Clearing House shall advise each Sponsored Principal (or, if the Sponsor ~~is a Non-FCM/BD Clearing Member and~~ acts as the Sponsored Principal's Representative for purposes of making payments, the Sponsor) of amounts due to or from the Sponsored Principal in respect of its Individually Segregated Sponsored Account on each Business Day (or more frequently if the Clearing House determines to make an intra-day call in accordance with the Finance Procedures) and:
 - (A) if the net amount is due to the Clearing House, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from the relevant Nominated Account with the Approved Financial Institution to a Clearing House Account in an amount equal to the amount so due; and
 - (B) if the net amount is due to the Sponsored Principal, the Clearing House shall instruct the Sponsored Principal's Approved Financial Institution to transfer funds from a Clearing House Account to the relevant Nominated Account with the Approved Financial Institution in an amount equal to the amount so due;
 - (iii) Rule 302(d) does not apply. Various authorities and powers are granted to the Clearing House pursuant to clause 5.2 of the Sponsored Principal Clearing Agreement and clause 5.2 of the Sponsor Agreement for purposes of supporting the payment arrangements set out in this Part 3.
 - (iv) Rule 302(e) does not apply.
 - (v) Rule 303 does not permit the Clearing House to exercise rights of set off as between any obligation, right or liability arising in connection with an Individually Segregated Sponsored Account and any between any obligation, right or liability arising in connection with any Customer Account (not being an Individually Segregated Sponsored Account) in respect of which the Sponsored Principal is a Customer.

- (vi) If the Sponsor ~~is a non-FCM/BD Clearing Member and~~ acts as the Sponsored Principal's Representative for purposes of making payments:
- (A) any payment made by a Sponsor to the Clearing House in respect of an Individually Segregated Sponsored Account shall discharge by an equivalent amount the obligations of the Sponsored Principal to the Clearing House; and
 - (B) any payment made to a Sponsor by the Clearing House in respect of an Individually Segregated Sponsored Account shall discharge by an equivalent amount the obligations of the Clearing House to the Sponsored Principal.
- (vii) Nothing in this Part 3 requires a Sponsored Principal to transfer Guaranty Fund Contributions to the Clearing House.

Customer Account and recorded by the Clearing House in accordance with such designation;

- (ii) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more DCM Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a DCM Customer Account and recorded by the Clearing House in accordance with such designation;
- (iii) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more Swap Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a Swap Customer Account and recorded by the Clearing House in accordance with such designation;
- (iv) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more SBS Customers, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for an SBS Customer Account and recorded by the Clearing House in accordance with such designation;
- (v) if it is an FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more General Customers in respect of F&O Contracts in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for a General Customer Account and recorded by the Clearing House in accordance with such designation;
- (vi) ~~if it is an FCM/BD Clearing Member, as a Sponsor for a U.S. Sponsored Principal, in which case the Contract shall arise in the name of the Sponsored Principal and be recorded in the Individually Segregated Sponsored Account of the Sponsored Principal in question, subject to the provisions of Rule 1905, the Sponsored Principal Clearing Agreement and the Sponsor Agreement, in which case the Contract shall be for the Sponsored Principal's Individually Segregated Sponsored Account and recorded by the Clearing House in accordance with such designation;~~[\[Not Used.\]](#)
- (vii) if it is a Non-FCM/BD Clearing Member, as a clearing member in relation to a transaction or transactions connected with the provision of services to one or more Segregated Customers in respect of F&O Contracts, in which case the Contract shall be designated by the Clearing Member in accordance with Rule 401(g) as for:

Part 5 Margin

Rule 501 *Approved Financial Institutions*

- (a) The Clearing House will maintain a list of Approved Financial Institutions. Only Approved Financial Institutions shall be permitted by the Clearing House:
 - (i) to open and operate, on behalf of Clearing Members, accounts from which the Clearing House can draw amounts pursuant to a direct debit mandate, for the collection of amounts due to the Clearing House from time to time; and
 - (ii) to issue and confirm letters of credit for Clearing Members. Approved Financial Institutions may also act in such other capacity as the Clearing House may approve from time to time.
- (b) All cash transfers made by Clearing Members to or to the order of the Clearing House must be made from an account at an Approved Financial Institution, unless the Clearing House gives its prior written consent to another method being used.
- (c) Clearing Members are given notice that the Clearing House may suspend or terminate the status of an Approved Financial Institution or attach, amend or revoke conditions to the continued status of an Approved Financial Institution. The Clearing House may take such steps if an institution no longer meets all of the requirements of the Clearing House or if the Clearing House determines that it would be advisable for the Clearing House's own protection, the protection of Clearing Members or the protection of a Market to do so.

Rule 502 *Margin*

- (a) Each Clearing Member shall transfer Permitted Cover to the Clearing House in respect of Margin in such amounts, in such forms and at such times as are required pursuant to this Part 5 and otherwise as may be prescribed by the Clearing House and notified to Clearing Members, in each case in accordance with these Rules and the Finance Procedures, from time to time.
- (b) At any time on which a requirement for Original Margin, FX Original Margin, Initial Margin or Margin under Rule 502(g) falls due and insufficient Permitted Cover is held, the Clearing Member must initially transfer cash in an Eligible Currency. Thereafter a Clearing Member may substitute such cash Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. The amount of Original Margin or Margin under Rule 502(g) for any Business Day shall be calculated (and, if necessary, called) separately in respect of each Proprietary Account and each Customer Account for each Clearing Member in accordance with the Finance Procedures.
- (c) Variation Margin, FX Mark-to-Market Margin and Mark-to-Market Margin payments may be made by the Clearing House or a Clearing Member only in cash in the Eligible Currency in which the Contract in question is to be or can be settled (for F&O Contracts),

construction of the arrangements regarding the provision of collateral under these Rules as "financial collateral arrangements" within the meaning of the Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on Financial Collateral Arrangements.

Rule 506 *Sponsored Principals*

- (a) This Part 5 applies to Sponsored Principals in the same way as it applies to Clearing Members except:
 - (i) The last two sentences of Rule 503(g) do not apply.
 - (ii) Rule 504(a) does not apply. The rights and liabilities of the Clearing House, Sponsored Principal and Sponsor in relation to Permitted Cover are set out in the Sponsored Principal Clearing Agreement and Sponsor Agreement and these Rules.
 - (iii) Rule 504(c)(v) does not apply. Each Sponsored Principal and Sponsor will be deemed to represent and warrant to the Clearing House on each date on which there is a transfer of Permitted Cover to the Clearing House in respect of an Individually Segregated Sponsored Account that neither the Sponsor nor the Sponsored Principal will claim that any use of Permitted Cover by the Clearing House in accordance with the Rules or the relevant Sponsor Agreement or Sponsored Principal Clearing Agreement is contrary to or in breach of any requirement of Applicable Law, third party right or other contractual obligation (provided that the Clearing House does not cause such breach by amending these Rules).
 - (iv) Rule 504(f) does not apply. Each Sponsored Principal will transfer Permitted Cover to the Clearing House only in such a manner as is consistent with these Rules and in accordance with its obligations under the Sponsored Principal Clearing Agreement and these Rules. If the Sponsor ~~is a Non-FCM/BD-Clearing Member and~~ is operationally responsible for meeting calls for Permitted Cover on behalf of the Sponsored Principal, the Sponsor shall require and receive collateral from the Sponsored Principal or fund such Permitted Cover only in such a manner as is consistent with these Rules and in a manner which allows the Sponsored Principal to transfer Permitted Cover to the Clearing House in accordance with its obligations under the Sponsored Principal Clearing Agreement and these Rules.
 - (v) Rule 504(h) and (i) apply to Individually Segregated Sponsored Accounts in the manner expressly set out therein.
 - (vi) Nothing in this Part 5 requires a Sponsored Principal to transfer Guaranty Fund Contributions to the Clearing House.

Part 6 Position Limits

Rule 601 *Establishment of Position Limits*

- (a) The Clearing House will be entitled at its discretion to establish, amend or revoke Position Limits for Clearing Members or in respect of particular Accounts. The Clearing House may or may not inform Clearing Members of their Position Limits.
- (b) The Position Limit for each Clearing Member and Account will be determined at the Clearing House's discretion and may take into account the Clearing House's evaluation of the financial and operational capacity of the Clearing Member and such other factors as the Clearing House at its discretion deems appropriate.
- (c) If a Clearing Member is not notified of a Position Limit for an Account, particular Set of Contracts or broader group of Contracts, it may assume that there is no such Position Limit in place (and shall not be treated as having breached any Position Limit) until such time as the Clearing House notifies it of the Position Limit. Any finding of breach of a Position Limit by the Clearing House may only be prospective and not retrospective with respect to the time of notification to the Clearing Member of the Position Limit.

Rule 602 *Breach of Position Limit*

- (a) If a Clearing Member exceeds its Position Limit, the Clearing House may, at its discretion:
 - (i) require a Clearing Member to provide information to the Clearing House in respect of any of its positions;
 - (ii) require a Clearing Member to allocate, transfer or terminate such Contracts or close out its Open Contract Position in any affected Account to the extent necessary to reduce its Open Contract Position so as to meet its Position Limit within such time as the Clearing House may prescribe;
 - (iii) make an additional call for such Margin as the Clearing House in its discretion determines; and/or
 - (iv) impose such additional Capital requirements on the Clearing Member as the Clearing House in its discretion determines.
- (b) If the Clearing Member fails to comply with any requirement imposed on it pursuant to Rule 602(a), the Clearing Member shall be in breach of these Rules and, without limitation, the Clearing House may, at its discretion, in respect of the Clearing Member concerned:
 - (i) declare an Event of Default;
 - (ii) terminate or suspend membership of the Clearing Member;

- (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable), ~~in the case of a Non-FCM/BD Clearing Member.~~
- (c) Provided that all Margin payments in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Future shall be the net gain or loss, as the case may be, based on the price at which Open Contract Positions are recorded on the Clearing House's books and the Exchange Delivery Settlement Price and, for Contracts not reflected in a Clearing Member's Open Contract Position, the difference between the Exchange Delivery Settlement Price and the price at which each new relevant Contract not in the Clearing Member's Open Contract Position was bought or sold. Each cash settlement shall occur in accordance with the Contract Terms.
- (d) Neither the Delivery Procedures nor the requirements of Rule 703 shall apply to any Contract which is settled in cash in accordance with this Rule 702.

Rule 703 *Delivery*

- (a) In relation only to Futures which are not settled in cash pursuant to Rule 702, the Delivery Procedures and the requirements of this Rule 703 shall apply.
- (b) The Buyer and Seller shall each make such payments and deliveries and deliver such tenders, notices and invoices as are required pursuant to the Delivery Procedures and Market Rules.
- (c) The passing on by the Clearing House of such tenders or such other documents shall not constitute acceptance by the Clearing House of such tenders or such documents if the Clearing Member to which the Clearing House passed on such tender or documents rejects the same where permitted to do so. In the event of such rejection, the Clearing House shall also be entitled to reject the tenders or other documents. Similarly, where a Clearing Member who is a Buyer under a Contract rejects a Deliverable delivered to it, the Clearing House as Buyer under the corresponding back to back Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under that Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.
- (d) Subject to Rule 703(c), no tender received by the Buyer may be withdrawn or substituted by the Seller except with the consent of the Buyer or otherwise in accordance with the Contract Terms and Procedures.
- (e) Full compliance with the Delivery Procedures applicable to the Contract in question and, where applicable, Market Rules shall amount to a good discharge of the rights, liabilities and obligations of the parties under such Contract (but shall be without prejudice to any rights, liabilities or obligations of any party to a Contract in relation to breach of warranty, representation, damaged goods, under-delivery, over-delivery or otherwise).

Contract Position plus any Contracts not included in the Open Contract Position, separately for the Clearing Member's:

- (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
- (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable), ~~in the case of a Non-FCM/BD Clearing Member.~~

No such Open Contract Position (or additional Contracts) may be netted against another Open Contract Position on cash settlement or delivery without the prior written consent of the Clearing House, and subject always to Rule 102(q).

- (b) Upon each of the parties to a Contract having made all necessary payments and deliveries in accordance with these Rules in respect of all Futures Contracts in a Set in relation to which a cash settlement or delivery obligation exists for any account or positions specified in Rule 705(a), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Futures Contracts belonging to such Set in respect of such account or position.

- (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
 - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
 - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable), ~~in the case of a Non-FCM/BD-Clearing Member.~~
- (b) Any exercise of an Option Contract shall be in accordance with the applicable Contract Terms. In particular, an Option Contract shall only be exercised:
- (i) if it is an Option Contract which in accordance with the applicable Contract Terms is automatically exercised, in which case it will be automatically exercised at the time and in the manner specified in the Contract Terms; or
 - (ii) if it is an Option Contract not falling in Rule 803(b)(i), at such time as is permitted pursuant to the applicable Contract Terms (whether on the day and by the time prescribed by the applicable Contract Terms or in such period as is prescribed by the applicable Contract Terms) and in such form and manner as is permitted pursuant to the Contract Terms and the Clearing Procedures (including, where permitted, by manual exercise or the establishment of settings in the Clearing House's systems for the exercise of Options).
- (c) An Option Contract may be abandoned by notice to the Clearing House in writing or such other form as is permitted pursuant to the Clearing Procedures or Contract Terms.
- (d) The Clearing House shall be entitled to rely upon any form or electronic communication purporting to give notice of exercise or abandonment of an Option made in accordance with these Rules without any enquiry as to:
- (i) whether such form or electronic communication complies with the Contract Terms or the requirements of the Clearing Procedures; or
 - (ii) as to the authority of any Representative purporting to exercise an Option on behalf of a Clearing Member or due execution of the relevant form.
- (e) The Clearing House may reject any notice of exercise or abandonment of an Option if such notice does not, or appears not to, comply with the Contract Terms or the Clearing Procedures, notwithstanding any equivalent notice or other prescribed form of exercise that has been provided by the Clearing House to any Clearing Member in respect of the exercise of an Option Contract.

- (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable), ~~in the case of a Non-FCM/BD Clearing Member.~~
- (d) Provided that all Margin payments in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Option shall be the net gain or loss, as the case may be, based on the price at which Open Contract Positions are recorded on the Clearing House's books and the Reference Price and, for Contracts not reflected in a Clearing Member's Open Contract Position, the difference between the Reference Price and the price at which each new relevant Contract not in the Clearing Member's Open Contract Position was bought or sold. Each cash settlement shall occur in accordance with the Contract Terms.
- (e) Upon each of the parties to a Contract having made all necessary payments in accordance with these Rules in respect of all Option Contracts in a Set in relation to which a cash settlement obligation exists for any account or positions specified in Rule 810(c), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Option Contracts belonging to such Set in respect of such account or position.

Rule 811 *Credit and Debit of Accounts*

The Clearing House shall make any necessary credits or debits to or from Clearing Members' Proprietary Margin Account and Customer Margin Accounts, as appropriate, arising as a result of each cash settlement and delivery in accordance with Part 3.

Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement for purposes of enforcement to exercise any of its rights under this Part 9 or under the Pledged Collateral Addendum and a Circular has not been issued in respect of the Event of Default, the Clearing House will notify the Clearing Member or Sponsor and Sponsored Principal concerned as soon as is reasonably practicable of such exercise.

- (d) A Sponsored Principal may be declared a Defaulter by the Clearing House if any of the events or circumstances specified in Rule 901(a) occurs in relation to a Sponsored Principal (in place of the Clearing Member) (except, in the case of circumstances falling under Rule 901(a)(i) to (iii), to the extent that the Sponsor cures the Event of Default in question, where the same is permitted under this Rule 901(d)). A Sponsored Principal may further be declared a Defaulter pursuant to Rule 904(q). A Sponsor must notify the Clearing House in writing and without delay if it serves any notice or exercises any right under the Customer-Clearing Member Agreement between the Sponsored Principal and the Sponsor under which the Sponsored Principal is treated as a defaulter, in default or subject to any event of default in circumstances where the same would be grounds for the Clearing House declaring an Event of Default in respect of the Sponsored Principal. The Clearing House may declare the Sponsored Principal to be the subject of an Event of Default as soon as reasonably practicable following receipt of any such notice from a Sponsor, provided that the Clearing House is satisfied that the Sponsored Principal is capable of being declared a Defaulter under this Part 9 (notwithstanding if the relevant event or circumstances have been cured by the Sponsor). The Clearing House may publish a copy of any such notice from a Sponsor together with the Default Notice or may specify in the Default Notice that the Event of Default is declared due to notice being received by the Clearing House from a named Sponsor. In any circumstances in which a Sponsored Principal is declared a Defaulter, this Part 9 will apply in full to all Individually Segregated Sponsored Accounts of the Sponsored Principal, *mutatis mutandis* as if the Sponsored Principal were a Clearing Member and Defaulter, but the Sponsor shall not be treated as a Defaulter unless a separate Default Notice is issued in respect of the Sponsor as a result of an Event of Default affecting the Sponsor. If the Clearing House becomes aware of grounds for declaring a Sponsored Principal to be a Defaulter under Rule 901(a)(i) to (iii) but no Event of Default is declared, the Clearing House will notify the Sponsor of details of such grounds without delay and, ~~if the Sponsor is a Non-FCM/BD-Clearing Member,~~ direct all liabilities on the Individually Segregated Sponsored Account to be met from the Nominated Proprietary Bank Account used by the Sponsor for its own Proprietary Account transactions, and any such Sponsor shall be liable to make such payments in full and on time from such Nominated Proprietary Bank Account.
- (e) The Clearing House may inform any relevant Regulatory Authority of an Event of Default prior to declaring an Event of Default and disclose such information to such Regulatory Authority as it sees fit.

shortfall in a Guaranty Fund prior to its replenishment or re-balancing) if its Sponsor is declared a Defaulter.

- (o) As from the time of declaration of the Event of Default in respect of the Sponsor until such time as the Sponsored Principal takes one of the three steps set out in this Rule 904(o), the Sponsored Principal shall only be entitled to submit Transactions for clearing or become party to Contracts which it can demonstrate have the overall effect of reducing Open Contract Positions in any Set of Contracts or risks to the Clearing House associated with Contracts, whether by hedging, novating, Transferring, terminating, liquidating or otherwise closing out such Contracts. Within 10 days of the Event of Default of the Sponsor (or such other longer time as the Clearing House at its discretion allows), provided that the Sponsored Principal is not itself a Defaulter and in order to avoid itself becoming a Defaulter, the Sponsored Principal must take one of the following three steps:
- (i) notify the Clearing House of a new Sponsor and if such Sponsor is approved by the Clearing House as the new Sponsor and has executed a Sponsor Agreement under which the Sponsored Principal is duly nominated:
- (A) the new Sponsor shall become the new Sponsor for the Sponsored Principal (and, ~~if it is a Non-FCM/BD-Clearing Member,~~ shall be treated as the Transferee Clearing Member) for an Individually Segregated Sponsored Account in which equal positions and Margin are recorded to those of the Sponsored Principal prior to the Event of Default; and
 - (B) the new Sponsor shall take the benefit of the right to provide operational services and to enjoy rights under the new Sponsor Agreement in relation to the Individually Segregated Sponsored Account which were previously enjoyed by the Sponsor that is a Defaulter;
 - (C) pursuant to the Default Portability Rules, the new Sponsor will become liable under Contracts recorded in the Individually Segregated Sponsored Account in place of the Defaulter as set forth in Part 19; and
 - (D) the old Sponsor will become released from any further liability in respect of its joint and several liability ~~(or, if the Sponsored Principal is a U.S. Sponsored Principal, guarantee)~~ under Contracts recorded in the Individually Segregated Sponsored Account;
 - (E) pursuant to the Default Portability Rules, Customer-CM Transactions (if any) between the Defaulter and the Sponsored Principal will be Transferred to the Sponsor; and
 - (F) all outstanding Margin and other payments due in respect of the Contracts and Individually Segregated Account must be paid by the Sponsored Principal or Sponsor;

- (iv) the Clearing House shall be fully entitled to manage any Event of Default affecting a Sponsored Principal under this Part 9, provided that to the extent that the Sponsor manages the Event of Default under Rule 904(r)(iii), the Clearing House will allow the Sponsor such time as the Clearing House considers to be reasonable for the Sponsor to terminate the Contracts recorded in the Individually Segregated Sponsored Account before itself doing so;
- (v) ~~if the Sponsor is a Non-FCM/BD Clearing Member, provided that~~ the Sponsor is not itself also a Defaulter, the Clearing House will (to the extent this is not prohibited under any Applicable Laws) transfer any Margin or balance on the Individually Segregated Sponsored Account to the Sponsor in the event that the Sponsor transfers the Contracts from the Individually Segregated Sponsored Account to one of its Proprietary Accounts (or establishes replacement positions for such Contracts in one of its Proprietary Accounts as a result of entering into offsetting Contracts for the Individually Segregated Sponsored Account or otherwise) following an Event of Default affecting the Sponsored Principal; and
- (vi) subject to paragraph (v), ~~if the Sponsor is a Non-FCM/BD Clearing Member,~~ the Clearing House shall be entitled to discharge its obligations to the Sponsored Principal and the Sponsor in respect of an Individually Segregated Sponsored Account in full by transferring any Margin or balance on the Individually Segregated Sponsored Account to either the Sponsor or Sponsored Principal; ~~and~~
- ~~(vii) if the Sponsor is an FCM/BD Clearing Member, the Clearing House shall be entitled to discharge its obligations to the Sponsored Principal and the Sponsor in respect of an Individually Segregated Sponsored Account in full by transferring any Margin or balance on the Individually Segregated Sponsored Account to the Sponsored Principal.~~
- (s) The Guaranty Fund Contributions and Surplus Collateral recorded in all Proprietary Accounts of the Sponsor may be applied in amount *GFC* or *SC* respectively in the net sum on an Individually Segregated Sponsored Account, to the extent necessary to prevent any net sum on the Individually Segregated Sponsored Account representing an amount payable to the Clearing House. To the extent that the Sponsor has made any payment under Rule 901(d) or 904(r)(i) or (ii) and the net sum on an Individually Segregated Sponsored Account would represent an amount payable by the Clearing House (but for this provision), the Clearing House shall pay to the Sponsor, (subject to Rules 904(c) and (i)), for its own account as principal, an amount equal to the difference between such amount otherwise payable by the Clearing House and zero, less a deduction for any of its related costs. Any amounts paid to a Sponsor pursuant to this Rule 904(s) shall be included in amount *OL* in Rule 906 in the calculation of the net sum on the Individually Segregated Sponsored Account.

Provisions applicable only to Margin-flow Co-mingled Accounts

- (t) The following principles shall apply when the Clearing House is calculating the net sum on Margin-flow Co-mingled Accounts of a Defaulter or determining the amounts which

Customer Accounts (or an Individually Segregated Sponsored Account of the Defaulter or for which the Defaulter acted as Sponsor). The Clearing House may not aggregate, set off or apply any Margin, Surplus Collateral or other surplus available to it in relation to one of the Defaulter's Customer Accounts or any Individually Segregated Sponsored Account to meet a shortfall on the Defaulter's Proprietary Account. Where and to the extent that the Clearing House determines to apply Proprietary Account assets of a Defaulter to any Customer Account, such amounts must first be applied to reduce any losses on Customer Accounts, on a *pro rata* basis among Customer Accounts which would otherwise have a net sum representing a shortfall or loss.

(d) Where N is a positive number, the net sum equal to N shall be payable by the Defaulter to the Clearing House. Where N is a negative number, the net sum equal to the absolute value of N shall be payable by the Clearing House:

- (i) in the case of an FCM/BD Clearing Member, to the Defaulter; or
- (ii) in the case of a Non-FCM/BD Clearing Member, to the Defaulter or as required pursuant to article 48(7) of EMIR, or otherwise at the Clearing House's election and discretion (as permitted by Applicable Law):
 - (A) in respect of a Customer Account, directly to a Customer;
 - (B) in respect of a Customer Account used for indirect clearing under EMIR, directly to an indirect client of a Customer; or
 - (C) in respect of an Individually Segregated Sponsored Account of a Sponsored Principal ~~other than a U.S. Sponsored Principal~~, to the Sponsored Principal or Sponsor as permitted pursuant to Rule 904(r)(vi),

in the case of (A) or (B) above only if the Clearing House is aware of the identity of the Customer or indirect client in question, and in all cases where the Clearing House is aware of an appropriate account to receive transfer of such net sum.

If the Clearing House makes payment in respect of amounts which would have otherwise been included any net sum to or to the account of a Person other than the Defaulter in accordance with these Rules or any Pledged Collateral Addendum, the Defaulter's claim against the Clearing House shall be accordingly reduced by the amount paid to such Person and the amount of any net sum N payable to the Defaulter shall be accordingly reduced. Where N is equal to zero, no amount shall be payable as between the Clearing House and the Defaulter pursuant to this Rule 906. Where there is more than one separately certified amount N certified under Rule 906(e) as a result of Rule 906(b), each amount so certified shall be treated as a separate obligation which cannot be netted off against another certified amount N in respect of a different account of the Defaulter.

(e) Each amount N shall be certified by the Clearing House promptly upon its determination. Such determination may be delayed or withheld until such time as all relevant sums and components have been evaluated, all Transfers have been completed and the value or sale proceeds of any non-cash Margin, Surplus Collateral, Guaranty Fund Contributions or

Part 16 FCM/BD Clearing Member Provisions

Rule 1601 *Scope*

This Part 16 of the Rules shall apply solely to FCM/BD Clearing Members. Except as provided in this Part 16 or to the extent inconsistent with this Part 16, all other provisions of the Rules applicable to Clearing Members shall apply to FCM/BD Clearing Members, and FCM/BD Clearing Members shall constitute Clearing Members for all purposes of the Rules. ~~Except as specifically indicated, this Part 16 does not apply to FCM/BD Clearing Members acting in the capacity as Sponsor of a U.S. Sponsored Principal, which shall be governed by Part 19 of the Rules.~~

Rule 1602 *Definitions*

- (a) The term "**Clearing House DCM Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to DCM Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or the Permitted Cover in respect thereof) or proceeds thereof deposited by such FCM/BD Clearing Member on behalf of its DCM Customers in connection with Contracts that are U.S. Futures. The Clearing House DCM Segregated Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (b) The term "**Clearing House Non-DCM/Swap Account**" means an omnibus account maintained by the Clearing House with respect to Non-DCM/Swap Customers of an FCM/BD Clearing Member, which is maintained in accordance with Applicable Law and contains Margin (or Permitted Cover in respect thereof) or the proceeds thereof deposited by such FCM/BD Clearing Member on behalf of its Non-DCM/Swap Customers in connection with Non-DCM/Swaps. The Clearing House Non-DCM/Swap Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (c) The term "**Clearing House Swap Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to Swap Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or Permitted Cover in respect thereof) or proceeds thereof deposited by such FCM/BD Clearing Member on behalf of its Swap Customers in connection with Contracts that are Swaps. The Clearing House Swap Segregated Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the CEA and CFTC regulations.
- (d) The term "**Clearing House SBS Segregated Account**" means an omnibus account located in the United States maintained by the Clearing House with respect to SBS Customers of an FCM/BD Clearing Member, which is segregated in accordance with Applicable Law and contains Margin (or the Permitted Cover in respect thereof) or

proceeds thereof deposited by such FCM/BD Clearing Member on behalf of its SBS Customers in connection with Contracts that are SBS. The Clearing House SBS Segregated Account will consist of one or more accounts at one or more depositories which may be co-mingled to the extent permitted by the applicable provisions of the Exchange Act and SEC rules and regulations.

- (e) The term "**Clearing House FCM/BD Segregated Account**" means the Clearing House Swap Segregated Account, the Clearing House DCM Segregated Account, the Clearing House SBS Segregated Account or the Clearing House Non-DCM/Swap Account, as the case may be.
- (f) The term "**Customer Swap Portfolio**" means the portfolio of rights and obligations under Contracts that are registered in a Swap Customer Account of an FCM/BD Clearing Member and that are allocated to a particular Swap Customer in the books and records of the Clearing House in accordance with the Swap Customer Segregation Requirements.

Rule 1603 *FCM/BD Contracts*

- (a) A Contract that arises under Rule 401 between the Clearing House and an FCM/BD Clearing Member shall be subject to this Part 16, regardless of whether any offsetting Contract between the Clearing House and another Clearing Member is subject to this Part 16. In respect of any Contract between the Clearing House and an FCM/BD Clearing Member, and in respect of other matters relating to such FCM/BD Clearing Member and/or FCM/BD Customer under the Rules, this Part 16 shall govern in the event of any conflict with any other provision of the Rules, and, for the avoidance of doubt, the Procedures, Clearing Membership Agreement or Pledged Collateral Addendum. With respect to an FCM/BD Clearing Member, references in these Rules to such Clearing Member in respect of a Contract recorded in a Customer Account shall be deemed to refer to such FCM/BD Clearing Member acting for the account of and on behalf of one or more FCM/BD Customers in respect of such Contract under the terms of these Rules as set forth in Rule 1603(d).
- (b) Each FCM/BD Clearing Member shall have at least one Proprietary Account and one or more Customer Accounts in which its Contracts shall be registered. ~~FCM/BD Clearing Members may also act as a Sponsor in respect of Individually Segregated Sponsored Accounts.~~ Except as provided herein, references in the Rules to a Customer Account of an FCM/BD Clearing Member or to a "class" of Customer Account shall refer to one or more DCM Customer Accounts, Swap Customer Accounts, Non-DCM/Swap Customer Accounts, SBS Customer Accounts or General Customer Accounts, as applicable, each such account being of a different "class". Notwithstanding anything to the contrary herein, to the extent that pursuant to a CFTC rule, order or exemption (or a Rule of the Clearing House approved thereunder) it is permissible under Applicable Law for Contracts in U.S. Futures, Swaps and/or Non-DCM/Swaps (and related Margin or Permitted Cover) to be co-mingled in a single class of Customer ~~Account or Individually Segregated Sponsored~~ Account, the Clearing House may permit such co-mingling in such class of Customer Account ~~or any Individually Segregated Sponsored Account~~, and references herein to the relevant Customer Account ~~or Individually Segregated~~

~~Sponsored Account~~ and FCM/BD Customer shall thereupon be construed accordingly. Without limiting the foregoing, Permitted Co-mingled Contracts shall be treated as Swaps or U.S. Futures, as the case may be, and not as Non-DCM/Swaps, and the appropriate classes of Customer Account shall be construed accordingly.

- (c) Each Customer Account of an FCM/BD Clearing Member that has executed a Pledged Collateral Addendum shall be a Pledged Collateral Account. Margin (or Permitted Cover in respect thereof) to be provided by an FCM/BD Clearing Member in respect of a Customer Account shall be provided in the form of Pledged Collateral, but in all other respects shall be provided in the forms, amounts, times and manners required under Rule 502 and Rule 503.
- (d) Where an FCM/BD Clearing Member clears a Contract for FCM/BD Customers, (i) such FCM/BD Clearing Member becomes liable to the Clearing House in respect of such Contract to no less an extent than if such Contract were for the FCM/BD Clearing Member's own account (and without prejudice to the obligations of the FCM/BD Customers to the FCM/BD Clearing Member in respect of such Contract, including without limitation pursuant to any agreement between an FCM/BD Customer and the FCM/BD Clearing Member); (ii) the Clearing House becomes liable and is obligated to perform to the FCM/BD Clearing Member, which in turn it is acknowledged will be acting for the account of and on behalf of such FCM/BD Customers, in respect of such Contract; (iii) the Clearing House shall be deemed to have discharged such obligations by performing to such FCM/BD Clearing Member for credit to the relevant Customer Account in respect of all payments and other obligations owed by the Clearing House under and in respect of such Contract as otherwise set forth in and subject to these Rules, without having any obligation to perform directly to the FCM/BD Customers; and (iv) without prejudice to any agreement between an FCM/BD Customer and the FCM/BD Clearing Member, such FCM/BD Customers become liable to reimburse and indemnify such FCM/BD Clearing Member in respect of performance by the FCM/BD Clearing Member under such Contract, subject, in the case of each of paragraphs (i) through (iv) of this subsection, to the provisions of this Part 16. Nothing in this Rule 1603(d) (I) shall be deemed to affect the rights or obligations of an FCM/BD Customer as against such FCM/BD Clearing Member with respect to such a Contract under Applicable Law or the terms of any agreement between the FCM/BD Clearing Member and such FCM/BD Customer; (II) shall require the Clearing House to carry out any enquiry as to the identity or existence of any FCM/BD Customer or FCM/BD Customers, except as required by Applicable Law; or (III) shall be deemed to limit the right or ability of the Clearing House to net or offset Open Contract Positions or obligations within a particular class of Customer Account of an FCM/BD Clearing Member to the extent otherwise permitted by these Rules and Applicable Law.
- (e) Rule 402(a) and clause 3.2 of the Clearing Membership Agreement shall not apply to an FCM/BD Clearing Member in respect of a Contract with respect to which it is acting for an FCM/BD Customer. None of Rule 405(d), Rule 408, or clause 3.4 of a Clearing Membership Agreement shall be deemed to preclude an FCM/BD Clearing Member from acting for an FCM/BD Customer in connection with a Contract.

- (f) Where the FCM/BD Clearing Member acts for a Customer, Rule 405(c)(ii) shall not apply to any contracts, rights, obligations or liabilities as between that Customer and the FCM/BD Clearing Member.
- (g) For purposes of Rule 303 and Rule 406(c) and for the avoidance of doubt: (i) Rule 905, Contracts and other obligations in any class of Customer Account of an FCM/BD Clearing Member ~~(or in an Individually Segregated Sponsored Account for which an FCM/BD Clearing Member acts as Sponsor)~~ shall not be netted or offset against Open Contract Positions or other obligations in any Proprietary Account of that Clearing Member; and (ii) Open Contracts or other obligations in any class of Customer Account of any FCM/BD Clearing Member ~~(or in an Individually Segregated Sponsored Account for which an FCM/BD Clearing Member acts as Sponsor)~~ may not be netted or offset against Open Contract Positions or other obligations in any other class of Customer Account of that FCM/BD Clearing Member ~~(or Individually any Segregated Sponsored Account for which the FCM/BD Clearing Member acts as Sponsor)~~.
- (h) Notwithstanding anything to the contrary in Rule 502 and Rule 503, for each Customer Account if required by Applicable Law or otherwise if so specified in the relevant Procedures or by Circular, Margin shall be calculated and called for on a "gross" basis across all positions of the FCM/BD Customers of a particular FCM/BD Clearing Member.
- (i) The first sentence of Rule 504(b) is not applicable. The second sentence of Rule 504(b) is amended to read as follows: Except as provided by Applicable Law and Rule 1605 with respect to a Customer Account, the Clearing House will take no account of any right or interest which any Person other than the Clearing Member may have in any Margin furnished by such Clearing Member to the Clearing House. Nothing in the Rules nor any Pledged Collateral Addendum (including without limitation section 2.7 thereof as modified pursuant to Rule 1609) shall preclude an FCM/BD Clearing Member from providing Pledged Collateral to the Clearing House that was provided to the FCM/BD Clearing Member by an FCM/BD Customer and in which the FCM/BD Customer has granted the FCM/BD Clearing Member a security interest to secure the FCM/BD Customer's obligations; provided that FCM/BD Clearing Member hereby agrees that any such security interest in favour of FCM/BD Clearing Member is in all respects subject to the rights of the Clearing House in respect of such Pledged Collateral hereunder and under the Pledged Collateral Addendum and FCM/BD Clearing Member shall not, and shall not attempt to (i) exercise any rights or remedies or bring any proceeding or action with respect to such Pledged Collateral until such Pledged Collateral is released from the lien and security interest of the Clearing House hereunder and under the Pledged Collateral Addendum or (ii) otherwise interfere with, delay the exercise of or take any action to affect the Clearing House's rights hereunder or under the Pledged Collateral Addendum with respect to such Pledged Collateral.
- (j) Without limiting Rule 111, save for any liability which it cannot exclude pursuant to Applicable Laws, the Clearing House shall have no obligation or liability in respect of an Open Contract Position in a Customer Account of an FCM/BD Clearing Member other than to the FCM/BD Clearing Member (acting as set forth in Rule 1603(d)) and no

- (iii) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
 - (iv) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
 - (v) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
 - (vi) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
 - (vii) the Contract Terms of all Contracts.
- (c) Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "New York Courts"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:
- (i) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
 - (ii) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.
- (d) All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to Rule 1608(c), does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to Rule 1608(c) heard in the New York Courts.

- (a) net positions in the relevant Set in respect of each of its Proprietary Accounts;
- (b) Reference Currency Buyer positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (c) Reference Currency Seller positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
- (d) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable), ~~in the case of a Non-FCM/BD Clearing Member.~~

Rule 1705 *Settlement of Financially-Settled FX Contracts*

- (a) Either:
 - (i) the Reference Currency Buyer shall be liable to pay the amount due under any Financially-Settled FX Contract to the Reference Currency Seller; or
 - (ii) the Reference Currency Seller shall be liable to pay the amount due under the Financially-Settled FX Contract to the Reference Currency Buyer,

as required under the Contract Terms, on the FX Settlement Date, in accordance with Parts 3 and 5 of the Rules and the Finance Procedures.

- (b) Upon payment by the relevant party of the amount due in respect of a Financially-Settled FX Contract on the FX Settlement Date as referred to in (a) above, neither party to such Financially-Settled FX Contract shall have any further liability or obligation to the other party under such Financially-Settled FX Contract.

Rule 1706 [Not used.]

Rule 1707 *FX Default Committee and FX Default Management Policy*

- (a) Rule 117 and Part 10 (and equivalent provisions of any Clearing Membership Agreement, Sponsored Principal Clearing Agreement or Sponsor Agreement) are hereby disappplied only to the extent that any matter is eligible for determination by an FX Default Committee in accordance with the FX Procedures. This Rule applies in respect of an FX Default Committee unless and until such committee resolves not to determine the matter concerned.
- (b) Notwithstanding its rights set out in Part 9, or any other analogous Rule, following an Event of Default of a Person other than the Clearing House, the Clearing House shall follow the arrangements as set out in the FX Default Management Policy and the exercise of its rights pursuant to Part 9 shall be consistent with and in support of the FX Default Management Policy, except as set out in this provision. The Clearing House's rights under Part 9 of the Rules shall not be restricted by virtue of this provision to the extent

- (vii) where a Controller Guarantee is or is to be provided by a Designated Controller, procure that the Controller Guarantee is executed in such form and delivered in such manner as the Clearing House may prescribe from time to time;
 - (viii) be party to a Sponsored Principal Clearing Agreement;
 - (ix) have been designated as a Sponsored Principal in writing to the Clearing House by a Sponsor that is not a Defaulter, pursuant to a Sponsor Agreement;
 - (x) not be subject to an Insolvency;
 - (xi) hold a Nominated Bank Account or Accounts in its name (or, ~~in the case of a Sponsored Principal other than a U.S. Sponsored Principal and~~ in the alternative, the Sponsor's name) at an Approved Financial Institution or Institutions in relation to each of which a direct debit mandate has been established in favour of the Clearing House;
 - (xii) have pre-funded a minimum amount of Margin specified by the Clearing House to a Nominated Bank Account, which amount will be transferred to a Clearing House Account prior to the date of attaining Sponsored Principal status;
 - (xiii) if non-cash assets are to be used as Permitted Cover, have executed all necessary documentation relating to the transfer of such assets and not be in dispute with the Clearing House in relation to the ownership over or rights relating to such non-cash assets;
 - (xiv) be incorporated or registered in and access the Clearing House from only jurisdictions whose Applicable Laws relating to insolvency, the regulation of clearing houses, Markets or central counterparties, the enforceability of Contracts and the Rules and such other matters as the Clearing House specifies are acceptable to the Clearing House (and an applicant may be required to supply a legal opinion of external counsel, addressed to the Clearing House, addressing such issues, at its cost); and comply with any additional restrictions or requirements imposed by the Clearing House as a result of activities in any such jurisdictions;
 - (xv) be an "eligible contract participant", as defined in Section 1a of the U.S. Commodity Exchange Act;
 - (xvi) if it is not incorporated in England and Wales, have appointed an agent for the service of process pursuant to Rule 1901(n); and
 - (xvii) not be subject to statutory disqualification under Applicable Law.
- (c) Where a Sponsored Principal is a fund, some or all of the criteria in Rule 1901(b) may, at the discretion of the Clearing House, be met by the fund manager.

not affect the liability of the Sponsor under these Rules, the Individually Segregated Sponsored Account or any Contract.

- (c) The Clearing House will make payments and performance to the Sponsored Principal (and the Sponsored Principal shall be solely entitled itself to receive all performance from the Clearing House) in respect of an Individually Segregated Sponsored Account except to the extent that any different arrangements for a Sponsor ~~that is a Non-FCM/BD-Clearing Member~~ are established in accordance with Part 9, this Rule 1902(c) or Rule 1902(e) with the consent of or on the initiative of the Clearing House, in which case the relevant payment or performance will be made to the Sponsor or such other Person to whom payment is due under Part 9. In the absence of any arrangements with the Clearing House to the contrary, the Sponsored Principal must therefore establish an account in its own name at an Approved Financial Institution (which Approved Financial Institution may be, or may be an Affiliate of, its Sponsor) for the making of payments to and receiving of payments from, the Clearing House. ~~If the Sponsor is a Non-FCM/BD-Clearing Member, the~~ The Sponsored Principal and Sponsor may arrange for the Sponsor instead to be operationally responsible for meeting Margin and other calls relating to an Individually Segregated Sponsored Account from one of the Sponsor's own accounts at an Approved Financial Institution.
- (d) To the extent permitted by Applicable Laws, the Clearing House will make any payment or perform any other obligation to the Sponsor (or another Person nominated by the Sponsored Principal for purposes of receiving performance to the account or to the order of the Sponsor or Sponsored Principal) in respect of an Individually Segregated Sponsored Account, if the Sponsored Principal and Sponsor so request jointly in writing and this request is accepted by the Clearing House or as permitted under Part 9. This may occur, for example, where delivery obligations under an F&O Contract are performed to a Transferee (which may be the Sponsor) or, in respect of payments, if the Sponsor is ~~a Non-FCM/BD-Clearing Member and~~ the account holder of the Nominated Bank Account linked to the Individually Segregated Sponsored Account. In such circumstances, the Sponsor or other Person will act as the Sponsored Principal's Representative. Whether the Clearing House makes any payment or performs any other obligation in connection with an Individually Segregated Sponsored Account or Contract to the Sponsor or the Sponsored Principal or otherwise to the account or to the order of the Sponsored Principal in accordance with Rule 1902(c) and this Rule 1902(d): (i) such payment or performance to the extent made shall satisfy and discharge the obligations of the Clearing House to the Sponsored Principal and any obligations of the Clearing House to the Sponsor; and (ii) where ~~the Sponsor is a Non-FCM/BD-Clearing Member and~~ payment or performance is made to the Sponsored Principal (or to its account or order, other than to the account of the Sponsor), such payment or performance to the extent made shall be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsor pursuant to the related Customer-CM Transaction.
- (e) To the extent permitted by Applicable Laws, a Sponsored Principal may (provided that it requests to do so in writing and this request is accepted by the Clearing House), outsource performance of any of its obligations under the Rules to a Sponsor or other Person who agrees to such arrangements, but will remain fully liable to the Clearing

House for such performance notwithstanding the outsourcing. This may occur, for example, where delivery obligations under an F&O Contract are performed by a Transferor (which may be the Sponsor) or, in respect of payments, if the Sponsor is the account holder of the Nominated Bank Account linked to the Individually Segregated Sponsored Account. In such circumstances, the Sponsor or other Person will act as the Sponsored Principal's Representative. Whether the Sponsor or Sponsored Principal makes any payment or performs any other obligation in connection with an Individually Segregated Sponsored Account or Contract to the Clearing House: (i) such payment or performance to the extent made shall satisfy and discharge the obligations of both the Sponsor and the Sponsored Principal to the Clearing House; and (ii) where ~~the Sponsor is a Non-FCM/BD Clearing Member and~~ payment or performance is made by the Sponsored Principal, such payment or performance to the extent made shall be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsored Principal pursuant to the related Customer-CM Transaction.

- (f) The Clearing House shall be entitled to receive and act upon instructions, notifications, notices and forms (whether in electronic or paper format) in respect of an Individually Segregated Sponsored Account from either the Sponsor or the Sponsored Principal without further reference to any other party, including in relation to the entry into, modification, exercise, netting and termination of Contracts, the making and receipt of payments and other transfers of Permitted Cover and the giving and receipt of notices under Contracts or the Rules. Each of the Sponsor and Sponsored Principal shall be entitled as joint holders of the Individually Segregated Sponsored Account to give such instructions, notifications, notices and forms and hereby shall be deemed to authorise the other to give such instructions, notifications and notices and forms in respect of the Individually Segregated Sponsored Account for such purposes, subject to Rule 901(d) and 904(q)-(s). A Sponsor and a Sponsored Principal may agree among themselves how such rights may be exercised in practice. No arrangement between a Sponsor and Sponsored Principal established under Rule 1902(d) or Rule 1902(e) may be revoked or cancelled without the prior written consent of each of the Clearing House, Sponsor and Sponsored Principal concerned, unless it takes place pursuant to Rule 901(d) or 904(q)-(s). Notwithstanding the foregoing provisions of this Rule 1902(f), the Clearing House will not act on any instruction, notification, notice or form from a Sponsored Principal (and a Sponsored Principal shall not be entitled to deliver the same to the Clearing House): (i) if and as from the time that the Sponsor makes a notification to the Clearing House of a default under an agreement between the Sponsored Principal and the Sponsor under Rule 901(d), until any such time as the Sponsor notifies the Clearing House in writing that the default in question has been cured; or (ii) if any instruction, notification, notice or form delivered by a Sponsored Principal conflicts with any instruction, notification, notice or form delivered by a Sponsor. For the avoidance of doubt, nothing in this Rule 1902(f) is intended to over-ride or disapply the requirements of Rule 401(g), Rule 504, Part 9, any other default rule or any other provision of these Rules or the Procedures prescribing any operational or legal process or requirement relating to any instruction, notification, notice, form, Contract, modification, exercise, netting, termination, payment transfer or other matter, which shall apply in addition to the requirements of this Rule 1902(f).

- (g) A Customer-CM Transaction shall arise between each Sponsor ~~that is a Non-FCM/BD-Clearing Member~~ (acting for such purposes as if it were the Clearing Member) and the Sponsored Principal (acting for such purposes as if it were the Customer) in respect of each Contract recorded in an Individually Segregated Sponsored Account, at the same times and in the same manner as Customer-CM Transactions would arise pursuant to Rule 401(m)-(n) and the applicable Standard Terms in respect of a Contract recorded in any other Customer Account. Notwithstanding the Standard Terms, the terms of each Customer-CM Transaction relating to a Contract recorded in an Individually Segregated Sponsored Account shall be construed such that:
- (i) the Sponsor is obliged and liable to perform to the Sponsored Principal under the Customer-CM Transaction, subject to terms of the Cleared Transactions Master Agreement, solely to the extent that the Clearing House performs to the Sponsor in respect of the Individually Segregated Sponsored Account (including if the Nominated Bank Account linked to the Individually Segregated Sponsored Account is in the name of the Sponsor, the Sponsor is appointed as the Sponsored Principal's Transferee or the Sponsored Principal otherwise specifies that performance of any of the Clearing House's obligations should be made instead to the Sponsor pursuant to Rule 1902(d));
 - (ii) the Sponsored Principal is obliged and liable to perform to the Sponsor (and the Sponsor is obliged and liable to perform to the Sponsored Principal) under the Customer-CM Transaction solely to the extent that: (A) the Sponsor is approved as being operationally responsible for meeting or receiving Margin calls and other transfers of Permitted Cover relating to an Individually Segregated Sponsored Account in accordance with Rule 1902(c) (and in such circumstances, the Sponsor will not act as agent of the Sponsored Principal in receiving or paying any amounts but instead shall act for its own account as principal with an obligation pursuant to the Customer-CM Transaction to account to the Sponsored Principal for a similar amount or asset to each amount or asset received from the Clearing House and with rights pursuant to the Customer-CM Transaction to receive from the Sponsored Principal similar amounts to those paid to the Clearing House or similar assets to those transferred to the Clearing House, in each case subject to the terms of the applicable Customer-Clearing Member Agreement); (B) the Sponsor performs to the Clearing House in respect of the Individually Segregated Sponsored Account (including if the Nominated Bank Account linked to the Individually Segregated Sponsored Account is in the name of the Sponsor, the Sponsor is appointed as the Sponsored Principal's Transferor, performance of any of the Sponsored Principal's obligations is outsourced pursuant to Rule 1902(e) or pursuant to Part 9); (C) the Sponsor's Guaranty Fund Contributions, Surplus Collateral or other assets are applied by the Clearing House to meet a loss or shortfall on the Individually Segregated Sponsored Account upon an Event of Default occurring with respect to the Sponsor or Sponsored Principal, in which case the Sponsored Principal shall be liable to the Sponsor to pay an amount equal to the amount of so applied Guaranty Fund Contributions, Surplus Collateral or other assets; or (D) there is an Event of Default in relation to a Sponsored Principal, in which case: (1) the Sponsored Principal will be liable in full to the

disciplinary, enforcement, dispute resolution or arbitration provisions in relevant Market Rules on the basis of *forum non conveniens*, statutory immunity, that the governing law or chosen forum is not specified in these Rules or otherwise; accordingly, each Market is entitled to rely upon and enjoy the benefit of the agreements and obligations of the Sponsored Principal under Rule 1903(h) and this Rule 1903(j) and shall have the right to enforce such, agreements and obligations against a Sponsored Principal under the Contracts (Rights of Third Parties) Act 1999,

and the Rules and Procedures shall be construed accordingly.

Rule 1904 *Termination of relationship between Sponsor and Sponsored Principal*

- (a) Rule 209 shall not apply to termination by a Sponsor or Sponsored Principal of their relationship. Neither the Sponsor nor the Sponsored Principal shall have any right to terminate their relationship with the other party except as expressly provided in this Rule 1904.
- (b) A Sponsored Principal may terminate its Sponsor on notice (copied to the Clearing House) or a Sponsor may terminate its Sponsored Principal on notice (copied to the Clearing House), in either case only if there is no Open Contract Position (i.e. zero open Contracts) in all Sets in the relevant Individually Segregated Sponsored Account. Following service of any such notice, neither the Sponsored Principal nor the Sponsor may enter into or cause the entry into of any further Contract on the Individually Segregated Sponsored Account and the Clearing House shall be entitled to close the Individually Segregated Sponsored Account.
- (c) A Sponsored Principal may change its Sponsor (or a Sponsor may change its Sponsored Principal) in respect of an Individually Segregated Sponsored Account only if a new Sponsor is accepted to act for the Sponsored Principal by the Clearing House, is party to a Sponsor Agreement and has duly nominated the Sponsored Principal pursuant to the relevant Sponsor Agreement. In such circumstances, the new Sponsor shall be deemed to make all the representations of a Sponsor of an applicant for Sponsored Principal status and Sponsor, as set out in Rule 1901. The Clearing House will specify the date on which the new Sponsor's appointment becomes effective, on which date the new Sponsor shall become responsible for and entitled in respect of the Individually Segregated Sponsored Account and the old Sponsor will hereby cease to have and be released from any right, liability or obligation in respect of the Individually Segregated Sponsored Account, provided that none of the old Sponsor, new Sponsor or Sponsored Principal has become a Defaulter prior to such date.

Rule 1905 *Provisions ~~Applicable to U.S. Sponsored Principals~~Inapplicable to FCM/BD Clearing Members*

Notwithstanding anything to the contrary in these Rules, ~~U.S. Sponsored Principal status will be available, Individually Segregated Sponsored Accounts will be available to U.S. Sponsored Principals and FCM/BD Clearing Members will~~shall not be permitted to act as Sponsors ~~thereof, only when the Clearing House adopts a further Rule Change authorizing such status and making~~

~~such accounts available to such persons (and receives all necessary regulatory approvals for such further Rule Change), which may be only in respect of particular kinds of Clearing Members. Accordingly, this Rule 1905 (and other provisions of the Rules referencing U.S. Sponsored Principals) shall not be applicable until such time and except in respect of such Clearing Members as any such Rule Change relates to.~~ of Individually Segregated Sponsored Accounts.

- (a) ~~The provisions in this Rule 1905 shall apply to U.S. Sponsored Principals, notwithstanding any other provisions of the Rules (including other provisions of Part 19 of the Rules) or Procedures to the contrary. Except as expressly set forth in this Rule 1905 (or otherwise in the relevant Rules), the provisions of the Rules and Procedures applicable to Sponsored Principals shall apply to U.S. Sponsored Principals. As used in this Rule 1905, the term "Sponsor" refers to a such Person acting in its capacity as Sponsor of a U.S. Sponsored Principal, and except as expressly set forth in this Rule 1905 (or otherwise in the relevant Rules), the provisions of the Rules and Procedures applicable to Sponsors shall apply to Sponsors of U.S. Sponsored Principals.~~
- (b) ~~In relation to an Individually Segregated Sponsored Account, each U.S. Sponsored Principal shall constitute a Clearing Member for purposes of the Rules and Procedures (but this is without prejudice to the characterisation of the relationship between the Sponsored Principal and Sponsor for purposes of EMIR). For purposes of the foregoing, notwithstanding any provision of any provision of these Rules or the Procedures to the contrary (except to the extent that any provision of the Rules or Procedures expressly provides for a particular treatment for an Individual Segregated Sponsored Account of a U.S. Sponsored Principal):~~
- (i) ~~Rules 1902 and 1903 shall not apply to a U.S. Sponsored Principal and its Sponsor (in respect of such U.S. Sponsored Principal);~~
 - (ii) ~~subject to this Rule 1905, as a Clearing Member, the U.S. Sponsored Principal shall be entitled to exercise all rights arising pursuant to Contracts recorded in an Individually Segregated Sponsored Account, shall be responsible for all performance, liabilities and obligations under such Contracts and shall make all representations, warranties, covenants and undertakings arising in respect of or in connection with the entry into of Contracts, in each case for the Sponsored Principal's own account as principal, and shall otherwise have the same rights, obligations, liabilities and duties under the Rules as a Clearing Member;~~
 - (iii) ~~a U.S. Sponsored Principal shall have no obligation to transfer or replenish any Guaranty Fund Contribution or to transfer any Assessment Contribution to the Clearing House and no right to return, recovery or reimbursement of the same;~~
 - (iv) ~~the U.S. Sponsored Principal shall have no entitlement in respect of the Guaranty Fund Contributions made by, or Surplus Collateral in any Proprietary Account of, the Sponsor, but this is without prejudice to the right of the Clearing House to apply such Guaranty Fund Contributions or Surplus Collateral against any loss or shortfall on an Individually Segregated Sponsored Account following an Event of Default affecting the Sponsor or U.S. Sponsored Principal;~~

- ~~(v) in relation to CDS Contracts and FX Contracts, U.S. Sponsored Principals and Sponsors shall have such further rights, responsibilities and obligations as are set forth in Part 15, Part 17, the CDS Procedures and the FX Procedures;~~
 - ~~(vi) U.S. Sponsored Principals will not be responsible for the submission of any pricing data to the Clearing House nor will be required to enter into any Contract as a result of any such submission;~~
 - ~~(vii) U.S. Sponsored Principals may (but will not be obliged) to participate in default auctions nor will they be treated as a Defaulter or subject to allocation of Contracts under Part 9 of the Rules in the event of a failed auction; and~~
 - ~~(viii) disputes arising in connection with Sponsors and Sponsor Agreements between a Sponsor and the Clearing House will be subject to the same procedures, jurisdiction, choice of law, forum and other requirements as Disputes.~~
- ~~(e) The Sponsor for a U.S. Sponsored Principal shall be liable as guarantor without limitation in respect of all obligations and liabilities arising in connection with each Individually Segregated Sponsored Account of a U.S. Sponsored Principal for which it is the Sponsor and all Contracts recorded in such account. A Sponsor may be subject to increased Guaranty Fund Contribution requirements as a result of acting as Sponsor for Individually Segregated Sponsored Accounts, and the amount by which its Guaranty Fund is increased as a result of acting as Sponsor for each of its Individually Segregated Sponsored Accounts will be reported upon by the Clearing House to the Sponsor. This calculation shall not restrict the liability of the Sponsor in respect of its entire Guaranty Fund Contributions (and not solely any increase related to a particular Account) in respect of each and every Individually Segregated Sponsored Account. (This Rule 1905(c) is without prejudice to the rights of the Clearing House under Rule 901(d), Rule 904, Rule 906 and otherwise to apply other assets to an Individually Segregated Sponsored Account following an Event of Default affecting the Sponsor.) For the avoidance of doubt, there will be no call of Assessment Contributions from the Sponsor following an Event of Default of a Sponsored Principal, unless Assessment Contributions are called from other Clearing Members contributing relevant Guaranty Funds under Part 9 and 11 of the Rules, in which case the Sponsor shall be liable on a similar basis to other Clearing Members. The absence of any status of "Representative" of the Sponsored Principal for the Sponsor in any circumstances shall not affect the liability of the Sponsor under these Rules, the Individually Segregated Sponsored Account or any Contract.~~
- ~~(d) The Clearing House will make payments and performance to the U.S. Sponsored Principal (and the Sponsored Principal shall be entitled itself to receive all performance from the Clearing House) in respect of an Individually Segregated Sponsored Account. The U.S. Sponsored Principal must therefore establish an account in its own name at an Approved Financial Institution (which Approved Financial Institution may be, or may be an Affiliate of, its Sponsor) for the making of payments to and receiving of payments from, the Clearing House.~~

- ~~(e) The Sponsor for a U.S. Sponsored Principal will not be entitled to, and hereby waives and any right to, payment or delivery from the Clearing House of any amount owed by the Clearing House in respect of an Individually Segregated Sponsored Account of such U.S. Sponsored Principal (including, without limitation, any net sum in respect thereof), and will not otherwise be entitled to exercise rights of the U.S. Sponsored Principal against the Clearing House in respect of the Contracts in such Individually Segregated Sponsored Account. The foregoing shall not restrict the Sponsor's rights as against the U.S. Sponsored Principal as may be separately agreed between the Sponsor and U.S. Sponsored Principal, including for indemnity or reimbursement of amounts paid by the Sponsor on behalf of the U.S. Sponsored Principal.~~
- ~~(f) Unless the Clearing House agrees otherwise in respect of any particular Account, only a single Person may act as a U.S. Sponsored Principal in respect of an Individually Segregated Sponsored Account. A U.S. Sponsored Principal may only clear for its own account and may not carry out clearing for any other Person, but nothing in these Rules shall prevent a Sponsor and Sponsored Principal from being Affiliates of one another. Notwithstanding the foregoing, where the same fund manager or fund managers that are Affiliates act for multiple funds, all such funds may to the extent permitted under Applicable Laws have positions and Margin recorded in the same Individually Segregated Sponsored Account and use the same Nominated Bank Account at the choice of the fund manager. In addition, other multiple Persons may to the extent permitted under Applicable Laws apply all to become Sponsored Principals in respect of the same Individually Segregated Sponsored Account in which positions and Margin relating to such Persons are recorded and the same Nominated Bank Account is used. In any circumstances in which there is more than one Sponsored Principal in respect of the same Individually Segregated Sponsored Account:~~
- ~~(i) Open Contract Positions will be held on a net basis in respect of each Sponsored Principal but gross basis as between Sponsored Principals, but only a single aggregated payment to the Clearing House and a single aggregated payment from the Clearing House will be made on the Individually Segregated Sponsored Account across all Sponsored Principals at each time when payments are instructed pursuant to Part 3;~~
 - ~~(ii) the Individually Segregated Sponsored Account will be gross margined across Sponsored Principals;~~
 - ~~(iii) only a single net sum will be declared on any Individually Segregated Sponsored Account and accordingly each Sponsored Principal consents to mutualised Sponsored Principal risk and to set off as between all relevant rights, assets and liabilities in the Individually Segregated Sponsored Account, regardless of the Sponsored Principal to which such rights, assets or liabilities relate; and~~
 - ~~(iv) an Event of Default declared in respect of one Sponsored Principal using the Individually Segregated Sponsored Account is deemed to be, and may be declared by the Clearing House as, an Event of Default of any or all other Sponsored Principals interested in the Individually Segregated Sponsored Account.~~

- ~~(g) Rule 1608 shall apply to U.S. Sponsored Principals and their Sponsors, with references therein to Clearing Members being deemed to refer to the U.S. Sponsored Principal and Sponsor. U.S. Sponsored Principals shall be entitled to provide Permitted Cover by way of a Pledged Collateral Addendum.~~
- ~~(h) A Sponsor and the Clearing House may agree (i) additional position, credit or similar limits to be imposed with respect to the Contracts of a U.S. Sponsored Principal sponsored by that Sponsor, (ii) an additional Margin requirement applicable to a U.S. Sponsored Principal sponsored by that Sponsor and/or (iii) additional events of default applicable to a U.S. Sponsored Principal sponsored by that Sponsor. If an additional event of default specified pursuant to paragraph (iii) shall occur with respect to the U.S. Sponsored Principal, and the Sponsor so certifies to the Clearing House (the Clearing House having no responsibility for investigating, verifying or determining the occurrence of such event), the Clearing House may declare the U.S. Sponsored Principal to be a Defaulter pursuant to Rule 901(d).~~

Clearing Procedures

- 1.7 For the avoidance of doubt, paragraph 1.6 is an exception to paragraph 1.5 and Rule 102(s) which provide that the Clearing Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.6, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:
- (a) all of the provisions of these Clearing Procedures relating to the Designated System;
 - (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
 - (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
 - (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
 - (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
 - (f) the Contract Terms of all Contracts.
- 1.8 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:
- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
 - (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.
- 1.9 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.8 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.8 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.8 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.8 heard in the New York Courts.

Finance Procedures

1. GENERAL

1.1 **These Finance Procedures are 'Procedures' as defined in the ICE Clear Europe rules (the "Rules") and are subject to the Rules, including, without limitation, Rule 102. These Finance Procedures set out details on how Clearing Members' and Sponsored Principals' financial obligations are met, including the provision of cash and securities to the Clearing House.**

1.2 The Clearing House will execute and initiate a range of financial transactions on a daily basis to manage Clearing Members' and Sponsored Principals' requests, rights, liabilities and obligations. Such transactions will result in payments being made to cover Margin obligations and to pay fees, among others. ICE Clear Europe has established a network of Approved Financial Institutions for this purpose. This is also known as the "Assured Payment System" or "APS".

1.3 These Finance Procedures apply in relation to F&O Clearing, CDS Clearing and FX Clearing.

1.4 Subject to paragraph 1.5 to 1.10 below, these Finance Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these Finance Procedures will be subject to arbitration under Rule 117.

1.5 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these Finance Procedures inasmuch as they relate solely to an issue or matter concerning:

- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
- (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these Finance Procedures (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.6 For the avoidance of doubt, paragraph 1.5 is an exception to paragraph 1.4 and Rule 102(s) which provide that the Finance Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.5, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these Finance Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;

CDS Procedures

- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
 - (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
 - (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
 - (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
 - (f) the Contract Terms of all Contracts.
- 1.70 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:
- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
 - (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.
- 1.71 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.70 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.70 heard in the New York Courts.
- 1.72 Nothing in paragraphs 1.67 to 1.73 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.
- 1.73 EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE CDS PROCEDURES OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:

FX Procedures

1.40 Subject to paragraph 1.41 to 1.46 below, these FX Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these FX Procedures will be subject to arbitration under Rule 117.

1.41 Solely as between an FCM/BD Clearing Member and the Clearing House, paragraphs 6 and 7 of these FX Procedures inasmuch as they relate solely to an issue or matter concerning:

- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
- (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these FX Procedures (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.42 For the avoidance of doubt, paragraph 1.41 is an exception to paragraph 1.40 and Rule 102(s) which provide that the FX Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.41, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these FX Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
- (f) the Contract Terms of all Contracts.

1.43 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

OTC FX Product Guide

'Procedures' as defined in the ICE Clear Europe rules (the "**Rules**") and are subject to the Rules, including, without limitation, Rule 102.

1.2.2 **Sponsored Principals**

These OTC FX Product Guide and Published Terms for FX Contracts Procedures apply to a Sponsored Principal in the same way as they apply to a Clearing Member, subject to Part 19 of the Rules.

1.3 **Governing Law**

1.3.1 Subject to paragraph 1.3.2 to 1.3.7 below, these OTC FX Product Guide and Published Terms for FX Contracts Procedures, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these OTC FX Product Guide and Published Terms for FX Contracts Procedures will be subject to arbitration under Rule 117.

1.3.2 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these OTC FX Product Guide and Published Terms for FX Contracts Procedures, inasmuch as they relate solely to an issue or matter concerning:

- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
- (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these OTC FX Product Guide and Published Terms for FX Contracts Procedures (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.3.3 For the avoidance of doubt, paragraph 1.3.2 is an exception to paragraph 1.3.1 and Rule 102(s) which provide that these OTC FX Product Guide and Published Terms for FX Contracts Procedures, and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.3.2, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these OTC FX Product Guide and Published Terms for FX Contracts Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or ~~Sponsored Principal that is not a U.S.~~ Sponsored Principal on the one hand and the Clearing House on the other hand;

- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
- (f) the Contract Terms of all Contracts.

1.3.4 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "New York Courts"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
- (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.

AUCTION TERMS FOR F&O DEFAULT AUCTIONS

1. INTRODUCTION

- 1.1 These F&O Auction Terms for F&O Default Auctions (the "**F&O Auction Terms**") govern the auctioning of a lot representing an F&O Contract or number of F&O Contracts ("**F&O Contracts**") to which a Defaulter is or was a party, where such auction ("**F&O Auction**") is administered by the Clearing House pursuant to Part 9 of the ICE Clear Europe Rules (the "**Rules**"). These F&O Auction Terms are 'Procedures' as defined in the Rules and are subject to the Rules, including, without limitation, Rule 102.
- 1.2 These F&O Auction Terms shall apply to every F&O Auction conducted by the Clearing House pursuant to Part 9 of the Rules. However, they may be modified or supplemented for any particular F&O Auction pursuant to the relevant F&O Auction Specifications as set out in paragraph 2.6.
- 1.3 The Clearing House will conduct F&O Auctions in accordance with its default policies. In the event of a conflict between the terms of such default policies and these F&O Auction Terms (as modified or supplemented by any applicable F&O Auction Specification as set out in paragraph 2.6), these F&O Auction Terms shall prevail.
- 1.4 Subject to paragraph 1.5 to 1.10 below, these F&O Auction Terms, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these F&O Auction Terms will be subject to arbitration under Rule 117.
- 1.5 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these F&O Auction Terms inasmuch as they relate solely to an issue or matter concerning:
- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
 - (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these F&O Auction Terms (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

- 1.6 For the avoidance of doubt, paragraph 1.5 is an exception to paragraph 1.4 and Rule 102(s) which provide that the F&O Auction Terms and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.5, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:
- (a) all of the provisions of these F&O Auction Terms relating to the Designated System;
 - (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;

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- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal;~~
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
- (f) the Contract Terms of all Contracts.

1.7 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
- (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.

1.8 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.7 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 heard in the New York Courts.

1.9 Nothing in paragraphs 1.4 to 1.10 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.

1.10 EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE F&O AUCTION TERMS OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:

- (a) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PERSON BOUND BY THESE RULES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER

AUCTION TERMS FOR FX DEFAULT AUCTIONS

1. INTRODUCTION

- 1.1 These FX Auction Terms for FX Default Auctions (the "**FX Auction Terms**") govern the auctioning of a lot representing an FX Contract or number of FX Contracts ("**FX Contracts**") to which a Defaulter is or was a party, where such auction ("**FX Auction**") is administered by the Clearing House pursuant to Part 9 of the ICE Clear Europe Rules (the "**Rules**"). These FX Auction Terms are 'Procedures' as defined in the Rules and are subject to the Rules, including, without limitation, Rule 102.
- 1.2 These FX Auction Terms shall apply to every FX Auction conducted by the Clearing House pursuant to Part 9 of the Rules. However, they may be modified or supplemented for any particular FX Auction pursuant to the relevant FX Auction Specifications as set out in paragraph 2.6.
- 1.3 The Clearing House will conduct FX Auctions in accordance with its default policies. In the event of a conflict between the terms of such default policies and these FX Auction Terms (as modified or supplemented by any applicable FX Auction Specification as set out in paragraph 2.6), these FX Auction Terms shall prevail.
- 1.4 Subject to paragraph 1.5 to 1.10 below, these FX Auction Terms, and all non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law and any Dispute under these FX Auction Terms will be subject to arbitration under Rule 117.
- 1.5 Solely as between an FCM/BD Clearing Member and the Clearing House, those provisions of these FX Auction Terms inasmuch as they relate solely to an issue or matter concerning:
- (a) the pledging, transfer, holding, use and segregation of Pledged Collateral provided by an FCM/BD Clearing Member (or other property, excluding for the avoidance of doubt the Contracts themselves recorded in such an Account, recorded in a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided by an FCM/BD Clearing Member); and/or
 - (b) the application of any net sum owed in favour of the FCM/BD Clearing Member in respect of a Customer Account or Proprietary Account that is designated as an account in respect of which Pledged Collateral may be provided,

and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these FX Auction Terms (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

- 1.6 For the avoidance of doubt, paragraph 1.5 is an exception to paragraph 1.4 and Rule 102(s) which provide that the FX Auction Terms and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.5, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:
- (a) all of the provisions of these FX Auction Terms relating to the Designated System;
 - (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal-~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;

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- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
 - (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
 - (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
 - (f) the Contract Terms of all Contracts.
- 1.7 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:
- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
 - (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.
- 1.8 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.7 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of any Dispute does not amount to a waiver by that party of its right to have allegations or claims in relation to which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.7 heard in the New York Courts.
- 1.9 Nothing in paragraphs 1.4 to 1.10 precludes the Clearing House from bringing an action to enforce a judgment from any New York Court or award of any arbitral tribunal in any court of competent jurisdiction.
- 1.10 EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING OUT OF, UNDER OR IN CONNECTION WITH THESE FX AUCTION TERMS OR ANY MATTER CONTEMPLATED BY THEM. EACH CLEARING MEMBER AND THE CLEARING HOUSE HEREBY:
- (a) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PERSON BOUND BY THESE RULES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER

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and, solely to the extent relevant to interpreting the foregoing provisions in such circumstances, relevant definitions and interpretative provisions in paragraph 1 of these Delivery Procedures (such provisions, together or separately "**Pledged Collateral Matters**") shall be governed by and construed in accordance with the laws of the State of New York and, as applicable, the federal law of the United States of America.

1.7 For the avoidance of doubt, paragraph 1.6 is an exception to paragraph 1.5 and Rule 102(s) which provide that the Delivery Procedures and Rules respectively shall be governed by and construed in accordance with the laws of England and Wales. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.6, the following are governed by and shall be construed in accordance with the laws of England and Wales in their entirety without any exception and shall in no circumstances constitute a Pledged Collateral Matter:

- (a) all of the provisions of these Delivery Procedures relating to the Designated System;
- (b) any Dispute or issue arising as between a Non-FCM/BD Clearing Member or Sponsored Principal ~~that is not a U.S. Sponsored Principal~~ on the one hand and the Clearing House on the other hand;
- (c) any Dispute or issue arising in respect of a Customer Account or Proprietary Account that is not designated as an account in respect of which Pledged Collateral may be provided;
- (d) any matter relating to Pledged Collateral of a Non-FCM/BD Clearing Member or a Sponsored Principal ~~that is not a U.S. Sponsored Principal~~;
- (e) any Pledged Collateral provided by an FCM/BD Clearing Member or Sponsored Principal pursuant to an English law Pledged Collateral Addendum; and
- (f) the Contract Terms of all Contracts.

1.8 Where a dispute between an FCM/BD Clearing Member and the Clearing House relates to one or more Pledged Collateral Matters, notwithstanding the provisions of Rule 117, solely the allegations or claims relating to the Pledged Collateral Matters in such dispute shall be heard and determined exclusively in any New York federal court sitting in the Borough of Manhattan of the City of New York, provided, however, that if such federal court does not have jurisdiction over such allegations or claims, such allegations or claims shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of the City of New York (such Courts, together, "**New York Courts**"). Consistent with the preceding sentence, the Clearing House and each FCM/BD Clearing Member hereby:

- (a) submits to the exclusive jurisdiction of the New York Courts solely in respect of allegations or claims relating to Pledged Collateral Matters; and
- (b) agrees that service of process will be validly effected by sending notice in accordance with Rule 113.

1.9 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.8 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM/BD Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.8 and other allegations or claims, it may be necessary to have both New York Court proceedings and arbitral proceedings. The submission of a party to the jurisdiction of a New York Court and/or the taking of a step by a party in proceedings before a New York Court, where in any such instance the New York Court has exclusive jurisdiction pursuant to paragraph 1.8 does not amount to a waiver by that party of its right to commence or participate in arbitral proceedings in accordance with Rule 117. The submission of a party to arbitration under Rule 117 or in respect of