



# **ICE Clear Singapore<sup>sm</sup>**

## **Finance Procedures**

## TABLE OF CONTENTS

1.	GENERAL .....	1
2.	CASH COLLATERAL .....	2
4.	ASSURED PAYMENT SYSTEM: ACCOUNTS .....	3
5.	ASSURED PAYMENT SYSTEM: PROCEDURES .....	4
6.	PAYMENTS TO AND FROM THE CLEARING HOUSE .....	5
7.	CUSTODY ACCOUNTS.....	11
8.	PERMITTED COVER: SECURITIES .....	12
11.	SETTLEMENT PROCEDURES FOR NON-CASH COLLATERAL .....	12
13.	RISK MANAGEMENT .....	14
14.	GUARANTY FUND PARAMETERS AND RESTRICTIONS.....	15
15.	CLEARING HOUSE CONTRIBUTIONS .....	16

1. **GENERAL**

- 1.1 These Finance Procedures are 'Procedures' as defined in the ICE Clear Singapore rules (the "**Rules**") and are subject to the Rules, including, without limitation, Rule 102. For the avoidance of doubt, in the event of any inconsistency between any Procedures and Rules, on one hand, and any documentation made available by the Clearing House such as technical release notes and user guides, on the other hand, the former will prevail. 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 Singapore law, and any Dispute arising under these Finance Procedures will be subject to arbitration under Rule 117. These Finance Procedures set out details on how Clearing Members' 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' 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 Singapore has established a network of Approved Financial Institutions for this purpose. This is also known as the "**Assured Payment System**" or "**APS**".
- 1.3 Subject to paragraph 1.4 to 1.9 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 the laws of Singapore and any Dispute under these Finance Procedures will be subject to arbitration under Rule 117.
- 1.4 Solely as between an FCM 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 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 Clearing Member); and/or
  - (b) the application of any net sum owed in favour of the FCM 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.

- 1.5 For the avoidance of doubt, paragraph 1.4 is an exception to paragraph 1.3 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 Singapore. For the avoidance of doubt, without limitation and notwithstanding paragraph 1.4, the following are governed by and shall be construed in accordance with the laws of Singapore 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 Assured Payment System;
  - (b) any Dispute or issue arising as between a Non-FCM Clearing Member 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; and

- (d) the Contract Terms of all Contracts.
- 1.6 Where a dispute between an FCM 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 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.
- 1.7 All allegations or claims other than those over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.6 shall be finally and exclusively determined by way of arbitration pursuant to Rule 117. It is expressly recognised that for Disputes between an FCM Clearing Member and the Clearing House containing both allegations or claims over which the New York Courts have exclusive jurisdiction pursuant to paragraph 1.6 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 1.6 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 1.6 heard in the New York Courts.
- 1.8 Nothing in paragraphs 1.3 to 1.9 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.
- 1.9 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 FINANCE PROCEDURES 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 PERSON WOULD NOT, IN THE EVENT OF ANY SUCH DISPUTE, SEEK TO ENFORCE THE FOREGOING WAIVER; AND
  - (b) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THESE RULES, ALL CONTRACTS AND ALL OTHER TRANSACTIONS CONTEMPLATED BY THESE RULES, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN PARAGRAPHS 1.3 to 1.9.
2. **CASH COLLATERAL**
- 2.1 The Clearing House will support transactions and account holdings in five currencies: USD, EUR, SGD, JPY and CNH. Original Margin obligations may be met only in these currencies.

- 2.2 The Clearing House supports cross currency collateral, which means that it is not necessary to cover Margin requirements in the same currency as the underlying Contract (other than Variation Margin in accordance with Rule 502(c)). The relevant exchange rates (or methodology concerning exchange rates) to be applied in such circumstances shall be specified in ECS or otherwise published by the Clearing House by Circular, or in the event that such exchange rate is not available, such other reasonable exchange rate as determined by the Clearing House. The Clearing House may impose a "haircut" on any Original Margin provided in a currency other than the reference currency to cover fluctuations in exchange rates. Applicable exchange rate haircuts will be published from time to time by Circular.
- 2.3 Variation Margin is transferred to and from the Clearing House by way of outright transfer. Accordingly: (i) no Variation Margin is subject to any Pledged Collateral Addendum or the pledge referred to in paragraph 7.2; and (ii) there is excluded from the requirement in Rule 1603(c) for Margin to be provided by an FCM Clearing Member in respect of a Customer Account in the form of Pledged Collateral, any Variation Margin so provided to or by the Clearing House by outright transfer of cash.
3. **[NOT USED.]**
4. **ASSURED PAYMENT SYSTEM: ACCOUNTS**
- 4.1 Each Clearing Member must, as a minimum, maintain the following accounts at one or more Approved Financial Institutions:
- (a) up to five Nominated Proprietary Bank Accounts (also known as 'house' accounts) linked to each Proprietary Account, denominated in up to one each of USD, EUR, SGD, JPY and CNH as follows:
    - (i) all Clearing Members must have an account denominated in USD;
    - (ii) [Not Used.]; and
    - (iii) a Clearing Member which has an Open Contract Position in a contract for which CNH, JPY or SGD is a settlement currency must have an account denominated in such currency;
  - (b) for a clearing Member that is a Non-FCM Clearing Member, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency used by it for each of its Customer Account, based on the same principles as set out in Paragraphs 4.1(a)(i) to (iii); and
  - (c) for a Clearing Member that is a FCM Clearing Member and which has one or more Customer Accounts, additional Nominated Customer Bank Accounts (also known as 'client' accounts), one for each currency for each of its FCM Customer Accounts, the relevant currencies being USD, EUR, SGD, JPY and CNH, based on the same principles as set out in 4.1(a)(i) to (iii) for each such Customer Account.
- 4.2 [Not used.]
- 4.3 Nominated Proprietary Bank Accounts and Nominated Customer Bank Accounts must be accounts at Approved Financial Institutions but need not all be at the same Approved Financial Institution.
- 4.4 [Not used.]
- 4.5 The Clearing House's Extensible Clearing System ("ECS") will be used for payments. Successful applicants for membership status will be issued with log-ins and given training in the use of ECS. ECS will be used by Clearing Members to give instructions in respect of certain transactions relating to the transfer of cash and securities to the Clearing House and, when there is excess Permitted Cover in place

and when requested by the Clearing Member, to the Clearing Member. The Clearing House will be entitled to act upon instructions made through ECS by the Clearing Member or any of its Representatives. The accounts described in Paragraph 4.1 are the only accounts that may be used for day-to-day transfers to and from the Clearing House through ECS.

4.6 The Clearing House operates Clearing House Accounts in each of the currencies at each Approved Financial Institution and separately for each such currency one Clearing House Account in connection with all Customer Accounts of Clearing Members and another Clearing House Account in connection with all Proprietary Accounts of Clearing Members. Upon an Event of Default being declared, amounts in all Proprietary Accounts of a Clearing Member may be combined and set off, and amounts relevant to a single separate Customer Account may be combined and set off with one another but not with any other Account, as set out in the Rules.

4.7 Additionally, the Clearing House will hold Clearing House Accounts at a Concentration Bank in order to facilitate transfers between accounts at Approved Financial Institutions.

## 5. **ASSURED PAYMENT SYSTEM: PROCEDURES**

5.1 Each Clearing Member will be required to have in place at all times a standard debit mandate, allowing the Clearing House to call funds from its Nominated Bank Accounts, established in the relevant Approved Financial Institution's standard form ("**Third Party Authority Form**"). Pursuant to the Clearing Membership Agreement, each Clearing Member must at all times have in place a duly executed Third Party Authority Form in favour of each Approved Financial Institution used by it and in respect of each of its Nominated Bank Accounts. Pursuant to Clearing Membership and arrangements between the Clearing House and Approved Financial Institutions, the Clearing House is given various powers, including to take any action as it in its discretion determines in the Clearing Member's or the Clearing House's name in connection with a Clearing Member's Nominated Bank Accounts. Approved Financial Institutions will act upon any instructions received from the Clearing House in relation to the Nominated Bank Accounts without any further reference to, or authority from, a Clearing Member.

5.2 Changes in APS account details must be notified at least five Business Days in advance.

5.3 It is the responsibility of each Clearing Member to have sufficient funds in its Nominated Bank Accounts to enable all cash transfers required under the Rules to be settled. Approved Financial Institutions will not be able to reverse any payment from or to a Clearing House Account without receipt of authorisation from the Clearing House evidenced in writing.

5.4 Clearing Members will be advised of debits from or credits to their physical accounts by the standard SWIFT advices of debit and credit (MT900 and MT910 respectively or their SWIFT MX successors under ISO 20022) or otherwise in accordance with arrangement established with Approved Financial Institutions.

5.5 Clearing Members must ensure that Approved Financial Institutions make payment to the Clearing House Account at the relevant Approved Financial Institution within the time periods specified in Table 1. The Clearing House will notify all affected Approved Financial Institutions if a contingency method is to be invoked. In the event that no payment notification is received from an Approved Financial Institution by the time specified in Table 1, the Clearing House will be permitted to act as if the funds have not and will not be received, which includes the declaration of an Event of Default in respect of any affected Clearing Member. In such circumstances, the Clearing House will use its reasonable endeavours to determine the cause of the late notification with the relevant Approved Financial Institutions. The remittance of funds remains at all times the responsibility of Clearing Members. The Clearing House may otherwise treat funds as not having been received and take similar actions as a result of Rule 301(f). In the case of the failure or Insolvency of an Approved Financial Institution used by a Clearing Member in circumstances in which an amount is not treated as having been paid as a result of Rule 301(f), the amount must still be paid (through a further payment, if

necessary) by a Clearing Member using alternative methods or a different Approved Financial Institution, in order to discharge the Clearing Member's liabilities.

- 5.6 If the Clearing House has been transferred excess cash (beyond applicable Margin requirements) by any Clearing Member, the Clearing Member in question is entitled to request repayment through ECS, either on an *ad hoc* basis or automatically on a daily or other regular basis. Such repayments will take place through the same systems and accounts as for payments to the Clearing House.

TABLE 1: TIME PERIODS FOR DELIVERY OF FUNDS AND SWIFT MESSAGE

Type of Instruction	Time for Receipt of Instruction	Latest time for APS Bank to make payment of amount specified in Instruction and send SWIFT MT910 (OR ITS SWIFT MX SUCCESSOR UNDER ISO 20022)
Routine End-of-day Instruction	On or after 00:00:00 Singapore Time on Business Day X+1 but on or before 08:59:59 on Business Day X+1	<p>Before 10:00:00 Singapore time on Business Day X+1 for Instructions relating to currencies other than JPY</p> <p>X+2 payments for JPY: For Instructions relating to JPY, before 10:00:00 Singapore time on the first day after Business Day X which (i) is a Japan/Singapore Banking Day and (ii) occurs after one Singapore Banking Day has elapsed</p> <p><b>"Japan/Singapore Banking Day"</b> means a day on which banks are open for general business in Japan and Singapore.</p> <p><b>"Singapore Banking Day"</b> means a day on which banks are open for general business in Singapore.</p>
Intra-day Instruction (contingency)	On or after 10:00:00 on Business Day X but on or before Cut-Off Time on Business Day X	Within one hour of instruction on Business Day X (but (without prejudice to the foregoing) subject to prior telephone and email notification by the Clearing House and any intervening 30 minute period, in each case as described below, as applicable)

*For the avoidance of doubt, this Table 1 (i) does not relate to payments to Clearing Members in respect of excess Permitted Cover and (ii) is subject to Paragraph 6.1(i)(viii).*

## 6. PAYMENTS TO AND FROM THE CLEARING HOUSE

### 6.1 General

- (a) [Not used.]
- (b) Pursuant to Part 3 of the Rules, payments between the Clearing House and a Clearing Member may be set off and consolidated into end-of-day or *ad hoc* payments in respect of each Account. Adjustments in Margin calls resulting from price changes in underlying open Contracts will result in either a payment from the Clearing Member's relevant Nominated Bank Account by direct debit or a payment from a Clearing House Account to a Clearing

Member's relevant Nominated Bank Account. Margin payments are combined with all other amounts due and payable pursuant to the Rules and discussed further in this Paragraph.

- (c) Payments will be executed as an intra-APS-bank, between accounts, book transfer from the relevant Nominated Bank Account to a Clearing House Account at the same Approved Financial Institution. Payment into Clearing Members' relevant Nominated Bank Accounts will generally take place through a similar book transfer. However, if insufficient funds are available within the relevant Clearing House Account at that Approved Financial Institution, all or part of the balance may instead be transferred from a relevant Clearing House Account at another Approved Financial Institution or Approved Financial Institutions.
- (d) In ECS, Clearing Members have the ability to set standing instructions to return all funds above applicable Margin requirements or above a threshold (if higher). Such standing instructions can only be set for cash collateral.
- (e) If a Clearing Member has not established standing instructions in ECS, it may manage its cash accounts by giving manual instructions. An increase in cash positions through ECS will result in a direct debit from the relevant Nominated Bank Account of the Clearing Member. A reduction in cash positions will result in a payment from a Clearing House Account to one of the Clearing Member's Nominated Bank Accounts. ECS does not permit requested reductions or standing instructions to result in a Clearing Member holding any positions below applicable Margin and Guaranty Fund Contribution requirements.

All cash instructions should be instructed before:

<b>Currency</b>	<b>Instruction deadline</b>
EUR	Before 12:00 Singapore time
USD	Before 12:00 Singapore time
SGD	Before 12:00 Singapore time
CNH	Before 12:00 Singapore time
JPY	Before 12:00 Singapore time on the Japan/Singapore Banking Day which immediately precedes the day on which payment is to be made

- (f) Withdrawals entered after these deadlines will be executed in the end-of-day process unless required to cover liabilities before the end-of-day process. Clearing Members are still able to enter cash deposits for value next day. These requests need to be entered and approved by Clearing Members prior to end-of-day, but will only be accepted by the Clearing House on the following morning. Following acceptance by the Clearing House, the changes will take effect immediately. The Clearing House may require any Clearing Member to reduce excess cash on account with the Clearing House or may specify that excess cash on account above a certain threshold does not receive interest.
- (g) Subject to Table 1, overnight payments must be made to the Clearing House at or before 10:00 on the morning following a call. *Ad hoc* payments must be made within one hour of an instruction being issued by the Clearing House through ECS. In relation to overnight pending transactions, any withdrawals or deposits instructed after the relevant deadline will be rejected by ECS.
- (h) The Clearing House will not provide Clearing Members with any specific notifications or confirmations after the execution of a cash movement. Clearing Members may instead find details of all instructions in daily and other reports available through the ECS graphical user

interface (or "GUI"). After execution, the status of an instruction within ECS will be indicated as 'completed'.

- (i) The following sections describe the various payments that may be included in any cash transfer:

(i) *Variation Margin*

Daily Calls: Pursuant to Rule 503, all Contracts will be revalued and subject to Variation Margin calls on a daily basis for settlement in accordance with Table 1. Variation Margin requirements are calculated and settled only in cash. Adjustments will be calculated and payments will ordinarily be executed in the currency of the relevant Contracts (or underlying Contracts). Liabilities resulting from Variation Margin requirements will be included in the overnight call or return.

Intra-day Calls: Contracts may also be marked to market and subject to an additional Variation Margin call (the proceeds of which may be applied against future Variation Margin calls) on an *ad hoc* intra-day basis. The Clearing House will use reasonable endeavours by telephone and email initially to notify affected Clearing Members in the event of an intra-day call being made. If the call affects a significant number of Clearing Members, the Clearing House may issue a Circular. Intra-day calls will be executed via a direct debit from the Clearing Member's Nominated Bank Account at an Approved Financial Institution. Payment must be made within one hour. Intra-day calls will only be in USD.

JPY payments: Any unsatisfied obligation to pay Variation Margin or settlement amounts in JPY must first be met with cash or non cash Original Margin in a currency other than JPY before the time on which payment for JPY to meet such Variation Margin or settlement obligation which has been instructed has been fully settled.

(ii) *Original Margin*

Daily Calls: Pursuant to Part 5 of the Rules, Original Margin requirements will be recalculated on a daily basis. Requirements will be calculated and payments will ordinarily be executed in the currency of the relevant Contracts (or underlying Contracts). Liabilities resulting from Original Margin requirements will be included in the overnight call or return.

Intra-day Calls: Original Margin may also be subject to *ad hoc* intra-day recalculations and calls. The Clearing House will use reasonable endeavours by telephone and email initially to notify affected Clearing Members in the event of an intra-day call being made. If the call affects a significant number of Clearing Members, the Clearing House may issue a Circular. Intra-day Original Margin calls will be executed via a direct debit from the Clearing Member's Nominated Bank Account at an Approved Financial Institution. Payment must be made within one hour. Intra-day calls will only be in USD.

(iii) *Margin Call to Remediate Breaches of Collateral Relative Limits*

The Clearing House may make and require payment in respect of a Margin call in connection with any breaches of limits established by the Clearing House from time to time relating to maximum amounts or proportions of a type of Permitted Cover which may be provided by a Clearing Member as Margin. Any such call will be made and instructed by the Clearing House through APS on an intraday basis at approximately 07:00 Singapore time and must be met by 10:00 Singapore time,

provided in all cases that the Clearing House may modify each such deadline from time to time.

Other than in relation to (iii) above and in the event that an intra-day Margin call is made, the Clearing House will use reasonable endeavours initially to contact the Clearing Member by telephone and email to notify them of the requirement. Clearing Members are permitted to satisfy the intra-day Margin call in a manner agreed with the Clearing House during the 30 minute period following the time at which the Clearing House has communicated the intra-day Margin call by telephone and email (whichever is earlier). Clearing Members will be able to satisfy intra-day Margin calls by reducing positions (e.g. reallocation of trades/clearing give-ups) or submitting new cash and/or collateral. Margin calls are rounded to the smallest currency unit (e.g. US dollar cents). Subsequent to such 30 minute period and in the event that the intra-day Margin call has not been satisfied, the Clearing House will further instruct for the payment of the intra-day Margin call through APS and as described in Table 1 (*Time Periods for Delivery of Funds and SWIFT Message*) above. Intra-day Margin calls can be made between 10:00 and 18:00 Singapore Time and when instructed by APS must be met within 60 minutes of instruction by the Clearing House.

(iv) *Guaranty Fund adjustments*

Each relevant Guaranty Fund Period, the total value of the Guaranty Funds and required Guaranty Fund Contributions of Clearing Members are reviewed and may be amended. The Clearing House will notify Clearing Members of the total Guaranty Fund Contribution requirements among all Clearing Members as of the commencement of each Guaranty Fund Period by Circular. The Clearing House Contributions will also be notified to Clearing Members. Adjustments to Guaranty Fund Contributions will be notified to individual Clearing Members by e-mail to a nominated e-mail account of each Clearing Member the Business Day no later than ten Business Days before the end of the relevant Guaranty Fund Period. Adjustments will be made on or about the day on which the new Guaranty Fund Period commences unless the relevant Circular specifies otherwise. Other than in exceptional circumstances, any additional required Guaranty Fund Contribution payments will be included together with overnight calls and details will be included in daily reports provided to Clearing Members through ECS.

(v) *Interest*

The Clearing House will notify Clearing Members of its interest rate in each currency on the Business Day following the day to which the rate applies. The Clearing House rates payable (or deductible in the case of negative rates) on Permitted Cover transferred to the Clearing House in the form of cash by Clearing Members are referred to as the ICE Deposit Rate (IDR).

Payments or deductions on account of interest will be made to or from Clearing Members in respect of cash held by the Clearing House as Permitted Cover. The rate of return or loss (in the case of negative rates) may vary for different currencies and between types of cover. The IDR and accumulated interest (whether negative or positive) over each month will be reported through the ECS-GUI or other means used by the Clearing House from time to time.

Interest will be calculated on a simple daily basis and will become available for payment to or liable for deduction from Clearing Members, subject to any required deduction or withholding tax, monthly, by the fourth Business Day after the end of each month. Once credited, any positive interest is available to meet Margin payments or may be withdrawn by Clearing Members. If retained to meet any

requirements to maintain Permitted Cover with the Clearing House, such positive interest then itself becomes eligible to accrue positive or negative interest.

For the avoidance of doubt, any deductions on account of interest may result in calls for Permitted Cover in respect of requirements under the Rules which are no longer being satisfied as a result of such deduction.

(vi) *Income (interest and collateral) and redemption*

The Clearing House will make payment to Clearing Members in respect of income and redemptions on non-cash assets transferred to the Clearing House as Margin, Guaranty Fund Contributions or Permitted Cover. Distributions will be executed direct to the Clearing Member by the relevant custodian pursuant to a standing instruction made by the Clearing House based on account information provided by the Clearing Member. Clearing Members are required to provide account details in relation to accounts in all applicable currencies to the Clearing House. Changes in account details must be notified at least five Business Days in advance.

Payments in respect of income on non-cash assets will be paid to Clearing Members in the same currency as the income is distributed by the relevant issuer or payment agent to the Clearing House or the relevant custodian. Any required foreign exchange transaction following payment must be arranged by the Clearing Member and the costs of the same must be met by the Clearing Member. No currency exchange will be arranged by the Clearing House or its custodian.

If there is a failed payment in respect of income or redemption (e.g. as a result of account details being unavailable or incorrect), income may be retained by the Clearing House or custodian but will not be treated by the Clearing House as Permitted Cover. The Clearing House makes no representation or warranty to Clearing Members in respect of the promptness of payment by any issuer or payment agent, the custodian or any of its sub-custodians or agents (save for any liability which by Applicable Law may not be excluded).

(vii) *Fees and rebates*

All Market fees, Clearing House fees, delivery fees and other fees payable to the Clearing House or a Market will be calculated and charged to each Clearing Member as such fees accrue (typically on a monthly basis).

Rebates, fee discounts and incentive program payments which have been directed by the payee or beneficiary to be paid to the account of a Clearing Member will be calculated and credited to the relevant account of the Clearing Member as such rebates, fee discounts and incentive program payments accrue (typically on a monthly basis) and may include payments for which the payer is a Market, payments for which the payer is the Clearing House or both.

The following additional provisions apply in respect of rebate, fee discount or incentive program payments except to the extent agreed or notified otherwise by the Clearing House from time to time. Terms, conditions and amounts of rebate, fee discount or incentive programs may be periodically modified by the Clearing House at its sole discretion. In certain circumstances, the Clearing House may make the availability of a rebate, fee discount or incentive program contingent on certain cleared volume levels. Rebate, fee discount and incentive programs may be withdrawn by the Clearing House or any relevant Market at any time. Persons may be required to meet participation criteria, conditions and obligations applicable to participants in this scheme as the same may be amended or added to from time to

time, in order to be able to continue to participate in any such program. Where a rebate, fee discount or incentive program relates to a service for which both Market trading, clearing or other fees or Clearing House clearing fees are applicable, the payer of the rebate, fee discount or incentive program payment is the Clearing House as to the total amount of the Market and Clearing House rebate, fee discount or incentive program payments multiplied by the percentage that Clearing House fees represent of the sum of Clearing House and Market fees. The legal entity operating the relevant Market will be the payer of the remainder of the rebate, fee discount or incentive program payment. Where only Clearing House fees are charged for a rebate, fee discount or incentive program payment, the payer of the entire rebate, fee discount or incentive program payment is the Clearing House. The Clearing House or the operator of the relevant Market may arrange for one of its Affiliates or the Clearing House to make any payment in respect of rebates, fee discounts or incentive programs on the payer's behalf. The payee in respect of a rebate, fee discount or incentive program is the person who participates in the program, regardless of whether such person is or is not a Clearing Member or member or participant of the relevant Market. A qualifying participant in a rebate, fee discount or incentive program may from time to time direct that relevant payments be made directly to their account or to the account of their Clearing Member, exchange member, execution platform participant or any other third party. Any payment in accordance with such instructions shall constitute due and final payment by the Clearing House or Market to the account of the rebate, fee discount or incentive program participant. Rebate, fee discount or incentive program participants may direct changes to such payment arrangements from time to time by providing notice in writing to the Clearing House or the relevant Market. In the absence of any payment instructions, the Clearing House shall be entitled (but shall not be required) to make payment in respect of any rebate, fee discount or incentive program payment by crediting amounts to the Proprietary Account or Customer Account of the relevant Clearing Member and in doing so shall have made good discharge of its obligations and those of any Market in relation to the relevant rebate, fee discount or incentive program payment.

Fee invoices will be made available via ECS by the sixth Business Day of each month. Fees and any applicable rebates, incentive payments or discounts will be included in the overnight call or return by the seventh Business Day after the end of each month. All fees are collected through a Clearing Member's Nominated Proprietary Bank Account. Rebates, incentive payments or discounts may be credited to a Clearing Member's Nominated Proprietary Bank Account or Nominated Customer Bank Account, as instructed from time to time by the payee.

Clearing Members that wish to query a fee invoice should contact the Clearing House Finance department on or before the 10<sup>th</sup> Business Day of the relevant month. Any required amendments will be reflected in the next billing cycle.

(viii) *Other Amounts*

Any amount payable by a Clearing Member to the Clearing House (or *vice versa*) pursuant to the Rules or any Contract may be included within an end-of-day or *ad hoc* payment. This may include settlement amounts, delivery-related payments (e.g. Buyer's Security and Seller's Security), fines, damages, amounts payable as a result of arbitration or disciplinary proceedings, dividends and coupons and other corporate action payments relating to Investments being delivered under Contracts and other amounts payable under the Rules.

(ix) *Currency Holidays and payments in other currencies*

Before the start of each calendar year, the Clearing House will publish a Circular setting out details of bank/public holidays relevant to the currencies supported by the Clearing House in different jurisdictions (each, a "**Currency Holiday**"). Transfer of funds in a currency will not take place on a Currency Holiday for that currency.

If there is a Currency Holiday, Clearing Members shall pay (or receive from the Clearing House as applicable) any relevant Margin that was payable or receivable on such Currency Holiday on the next Business Day which is not such a Currency Holiday.

Transactions in collateral on bank/public holidays in a relevant jurisdiction will not necessarily be rejected upon instruction but will be cancelled at the end of day and must be re-instructed by Clearing Members on a day which is not a bank/public holiday in the relevant jurisdiction.

This paragraph is without prejudice to any provisions applying to any single specified currency as set out in Table 1 above, which provision shall prevail in the event of any conflict among this paragraph and such provision.

7. **CUSTODY ACCOUNTS**

7.1 Pursuant to Rule 502, Original Margin, requirements are payable initially in cash but a Clearing Member may substitute such cash Original Margin with other Permitted Cover by delivery of the replacement Permitted Cover to the Clearing House. Such transfers must first be notified to the Clearing House by the relevant Clearing Member through ECS and will not be effective and may not be made until after the Clearing House has approved the proposed transaction in ECS. Guaranty Fund Contribution requirements may also be satisfied through non-cash assets to the extent allowed under the Rules and these Procedures.

7.2 Pursuant to Clearing Membership Agreements, the Clearing House receives all non-cash assets provided to it as Permitted Cover in respect of Accounts that are not Pledged Collateral Accounts pursuant to title transfer arrangements. For Pledged Collateral Accounts, pursuant to the relevant Pledged Collateral Addendum, the Clearing House is beneficiary of a pledge over non-cash assets provided to it as Permitted Cover. Non-cash assets transferred to the Clearing House by way of title transfer cease to belong to the Clearing Member upon transfer to the Clearing House. Accounts available to the Clearing Members in ECS will contain information concerning the amounts and kinds of non-cash Permitted Cover that have been transferred to the Clearing House in respect of both Margin and Guaranty Fund Contributions. Non-cash Permitted Cover will be held in accounts of the Clearing House at a Custodian, central securities depository ("CSD") or international central securities depository ("ICSD"), which accounts are in the name of the Clearing House. Such accounts may be managed by a third party agent.

7.3 In the event that a Clearing Member wishes to lodge U.S. Government securities as Permitted Cover, Clearing Members are required to complete and return a Form W-8BEN "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding" (non-U.S. entities) or a Form W-9 "Request for Taxpayer Identification Number and Certification" (U.S. entities). Clearing Members must inform the Clearing House of any changes in relevant tax status or the information provided in any such form. Late provision of information may result in unnecessary tax withholdings, deductions, penalties or costs. The Clearing House shall not be liable to Clearing Members for any such withholdings, deductions, penalties or costs. Where necessary, the Clearing House's custodian will make available a tax certificate or other details which may be required for tax purposes from time to time. Declarations relating to 'beneficial ownership' on IRS Form W-8BEN or IRS Form W-9 are based upon U.S. tax law concepts and do not affect the transfer of title, pledge or property rights provided for under Clearing Membership Agreements, nor do they put the Clearing House on notice of any Encumbrance.

## 8. **PERMITTED COVER: SECURITIES**

- 8.1 The Clearing House will publish by Circular a list from time to time setting out all security classes acceptable as non-cash Permitted Cover, specifying any restrictions for such Permitted Cover applicable by way of class or status of Clearing Member, account or Contract. Applicable ‘haircuts’ will also be published and amended by Circular. The amount of recognised Permitted Cover at the Clearing House attributable to a particular security is the market value of the relevant security multiplied by the applicable haircut. Within ECS, details of international security identification numbers (ISINs) for all acceptable Permitted Cover will be provided. New issues are automatically added to the list and can be selected for settlement and coverage. The Clearing House is entitled to remove securities from the list of accepted Permitted Cover or to vary haircuts at any time.
- 8.2 Clearing Members may suggest to the Clearing House’s risk department that a new class or series of permitted cover be included within the list of acceptable Permitted Cover. New classes will only be added after approval by the risk department. A limited sub-set of the acceptable securities are accepted by the Clearing House in respect of required Guaranty Fund Contributions. The Clearing House will set out and amend the list of acceptable Permitted Cover by a Circular.
- 8.3 The Clearing House does not recognise any value for non-cash collateral as from the date which is a specified number of Business Day(s) prior to redemption or maturity (such number of Business Days to be set out by the Clearing House from time to time by Circular). Clearing Members must arrange for substitute Permitted Cover on or prior to such time. The Clearing House will use endeavours (but shall not be required) to contact Clearing Members who have securities nearing maturity in order to assist with the timely lodgement of alternative Permitted Cover.
- 8.4 Notwithstanding Paragraph 8.1, a Clearing Member may not use any financial instrument otherwise agreed by the Clearing House to be eligible as Permitted Cover where such financial instrument is issued by such Clearing Member or one of its Affiliates except in the case of a covered bond and only where the assets backing that bond are appropriately segregated within a robust legal framework which the Clearing House determines to satisfy applicable requirements under Applicable Law.

9. **[NOT USED.]**

10. **[NOT USED.]**

## 11. **SETTLEMENT PROCEDURES FOR NON-CASH COLLATERAL**

### 11.1 **Instruction Type**

All transactions to deposit or withdraw from the Clearing House will be executed free of payment.

### 11.2 **Trade and Settlement Date**

The Clearing House presumes that all trade dates and contractual settlement dates are equal to the date of entry of an instruction in ECS, because all relevant settlement systems and depositories for Permitted Cover support same-day settlement. Any deviation from this assumption must be notified to the Clearing House as it will result in a mismatch and non-settlement.

### 11.3 **Custody and Sub-custody**

- (a) Settlement of a transfer of Permitted Cover from the Clearing House to a Clearing Member may only be effected when the relevant securities to be subject to settlement are under custody of the Clearing House’s custodian at the moment that settlement instructions are made.
- (b) Each settlement between the Clearing House and a Clearing Member must be effected pursuant to a transaction within the relevant settlement or depository system.

#### 11.4 **Matching of Settlement Instructions**

The Clearing House will support the matching mechanism of at least one major settlement system or depository for securities acceptable as Permitted Cover. ECS requires only the minimum necessary information required by such systems and depositories in order for matching of a counterparty's instruction. The Clearing House will notify Clearing Members of the relevant account details for matching. However, it is the responsibility of the Clearing Member to ensure that instructions entered into ECS are correctly matched. The Clearing House will not be liable for any losses of Clearing Members or third parties caused by non-settlement or a delay in settlement as a result of the actions or omissions of a settlement system, a depository or the Clearing Member (save for any liability which by law may not be excluded).

The Clearing House will publish from time to time on its website applicable matching criteria per settlement system or depository (and ICE settlement details).

Direct accounts of the Clearing House at settlement systems may also be notified by the Clearing House to Clearing Members from time to time and must be used instead of any of the accounts referenced in any Circular issued by the Clearing House pursuant to the preceding paragraph, where the Clearing House and Clearing Member are able to do so.

#### 11.5 **Settlement cancellations and unsettled transactions**

- (a) Clearing Members may only cancel settlement instructions prior to the time when the Clearing House sends settlement instructions to its custodian. After the Clearing House has sent instructions to its custodian, the Clearing House and ECS will assume that the transaction has been executed and settled.
- (b) All unsettled transactions are automatically cancelled at the end of each day in ECS. In the event that the relevant settlement system or depository does not support one-sided cancellations and the transaction settles after the contractual settlement date, relevant securities will not be taken into account as Permitted Cover. If same-day settlement does not occur but the Clearing Member still wishes to make settlement, it must cancel the instruction and re-enter that instruction.

#### 11.6 **Settlement deadlines**

All settlements will be executed by the Clearing House with a request for same-day settlement. As deadlines for settlement systems or deadlines on particular days may vary, the Clearing House will provide details of normal deadlines for free-of-payment instructions for each supported settlement system by Circular. Deadlines for settlement systems will be set out and updated in Circulars. Any adjustments of deadlines will be published by Circular. Instructions received after a specified deadline will be rejected by ECS.

#### 11.7 **Holidays affecting settlement systems**

- (a) If a settlement system or depository is closed, it will not be possible to transfer securities within that system. Clearing Members are allowed to use alternative settlement systems or types of collateral to cover Margin requirements or Guaranty Fund Contribution requirements. Clearing Members wishing to deliver securities through such alternative settlement systems or types of collateral should contact the Clearing House's Treasury department.

#### 11.8 **Status settlement transaction**

The Clearing House will provide updated information on the settlement status of transactions through ECS. Clearing Members are responsible for monitoring the status of settlements. The status of a transaction as matched or not matched is not reported upon by the Clearing House and must be confirmed by Clearing Members directly with the relevant settlement system or depository.

12. **[NOT USED.]**

13. **RISK MANAGEMENT**

13.1 **Contacting Risk Management**

Clearing Members should contact the Clearing House's risk department to discuss any special issues relating to Margin, Permitted Cover, Guaranty Fund Contributions, Exposure Limits or any unusual circumstances or events.

13.2 **Specific information request**

Clearing Members may be required from time to time to respond to an information request made by the Clearing House. Such a request may include (but shall not be limited to) information concerning:

- (a) the nature and extent of Open Contract Positions;
- (b) identification of a Customer or Customers for whom Open Contract Positions are held;
- (c) explanation of the commercial strategy or rationale relating to Open Contract Positions;
- (d) any economically similar positions at other Clearing Organisations or Exchanges or in over-the-counter instruments; and/or
- (e) details around plans to close out or reduce any Open Contract Positions.

13.3 The Clearing House shall be entitled to require written responses and may make further or follow-up requests and visits and inspections. This Paragraph is without prejudice to the Clearing House's rights under the Rules, including in relation to the provision of information, audit and disciplinary proceedings.

13.4 **Staff Availability**

Clearing Members may be required from time to time to make staff of suitable seniority available to attend meetings, called by the Clearing House at reasonable notice, in order to assess:

- (a) the Clearing Member's compliance with the Rules and these Procedures;
- (b) risks to which the Clearing House, Clearing Member is exposed; or
- (c) any related purposes.

13.5 **Default Procedure**

In the case where the payment deadline is not met, the Clearing House may initiate a default procedure. Without prejudice to Part 9 of the Rules, the default procedure in general may use the following tools:

- (a) setting of final deadlines for the Clearing Member to meet requirements;
- (b) imposition of Exposure Limits;
- (c) additional Margin requirements;
- (d) restriction of trading (e.g. new trades only allowed to liquidate existing positions);
- (e) transfer of Open Contract Positions;

- (f) liquidation of Permitted Cover;
- (g) liquidation of Guaranty Fund Contributions; or
- (h) closure of Open Contract Positions.

### 13.6 **Margin Parameters**

The Clearing House monitors market volatilities on a daily basis. The Clearing House will review Original Margin rates on a periodic and *ad hoc* basis. Changes to Original Margin rates will be notified to Clearing Members by Circular. *Ad hoc* rate changes will become effective on the next Business Day. Routine rate changes will be implemented on the date given in the Circular announcing such changes, normally five Business Days after the date of the Circular.

### 13.7 **Haircuts**

The Clearing House will review haircuts applicable for Permitted Cover on a periodic and *ad hoc* basis. Changes to haircuts will be notified to Clearing Members by Circular. *Ad hoc* rate changes will become effective on the next Business Day. Routine rate changes will be implemented on the date given in the Circular announcing such changes, normally five Business Days after the date of the Circular.

### 13.8 **Permitted Capital Limits**

The Clearing House monitors the relationship between Capital and outstanding Original Margin obligations of Clearing Members. If, on aggregate, a Clearing Member's Original Margin is greater than three times the Clearing Member's Capital, the Clearing House may require that further Capital (or substitute Capital) be put in place by the Clearing Member.

The Clearing House will endeavour to contact Clearing Members that may be required to put in place additional Capital in advance of such requirement becoming necessary, in order to agree steps to be taken by the Clearing Members.

### 13.9 **Concentrated Positions**

The Clearing House monitors Open Contract Positions on a daily basis. Where the Clearing House determines an Open Contract Position to be concentrated, as defined by its large positions policy, the Clearing House may, at its discretion, require that the Clearing Member do any of the following:

- (a) reduce an Open Contract Position; or
- (b) lodge additional Permitted Cover with the Clearing House;

Positions will be subject to an extra Margin requirement in the case that a single Clearing Member holds more than 20% of the total Margin requirement in the margined product group.

## 14. **GUARANTY FUND PARAMETERS AND RESTRICTIONS**

### 14.1 **Guaranty Fund**

The following parameters apply to the Guaranty Fund and Guaranty Fund Contributions, in addition to those parameters specified in the Rules (in the case of currencies save to the extent that the Clearing House notifies otherwise whether by Circular or to a particular Clearing Member or allows a different currency to be used to cover the relevant requirements in accordance with these Finance Procedures):

- (a) Guaranty Fund Contributions will be calculated and payable in USD;

- (b) minimum Guaranty Fund Contribution of USD 0.5 million;
- (c) minimum cash portion of Guaranty Fund Contribution is 50%;
- (d) in addition to the above requirement, first USD 10 million in cash (such that any Guaranty Fund Contribution of less than USD 10 million must be provided entirely as cash) unless agreed otherwise by the Clearing House; and
- (e) other Permitted Cover for Guaranty Fund Contributions must be USD denominated for Guaranty Fund Contributions.

## 15. CLEARING HOUSE CONTRIBUTIONS

### 15.1 Clearing House Initial Contributions

- (a) The Clearing House shall contribute 25% of the total amount of the Guaranty Fund, with 15% being by way of the Clearing House Initial Contribution and 10% being by way of the Clearing House GF Contribution;
- (b) [Not used.]
- (c) [Not used.]
- (d) [Not used.]
- (e) [Not used.]
- (f) [Not used.]

### 15.2 [Not used.]

### 15.3 [Not used.]

15.4 The Clearing House may substitute assets constituting Clearing House Contributions in the same way and to the same extent that assets constituting Guaranty Fund Contributions may be substituted by Clearing Members.

15.5 Without prejudice to Applicable Laws relating to insolvency, the Clearing House shall have no obligation to contribute or allocate any additional Clearing House Contributions in any situation in which the final sentence of Rule 209(c)(iii) applies, except in respect of any due but unallocated amounts at the time of such occurrence.

15.6 There shall not be any breach by the Clearing House of its obligations under this Paragraph 15 solely as a result of any temporary reduction to any Clearing House Contributions as a result of the application of any amount of Clearing House Contributions pursuant to Rule 1103.