

## **SCHEDULE C - COLLATERAL AND RISK MANAGEMENT**

### **1. Determination of Margin and Margin Rates**

- a. Initial Margin— Exchange may determine, from time-to-time and at its sole discretion, the Initial Margin Rate applicable to each Product. Exchange may also determine, from time-to-time and at its sole discretion, the Initial Margin applicable to a portfolio of Transactions, across one or more Products.
- b. Variation Margin — In determining Variation Margin, Exchange will consider the reasonable estimation of the current market value using internal and external sources for each Product. Upon request or dispute by a Contracting Party, Exchange will investigate and determine, in its sole discretion, whether Variation Margin should be recalculated and will advise the Contracting Party of its determination as soon as reasonably practicable.
- c. Variation Margin does not include MTM Settlement Amount - For greater certainty, for the purposes of calculating Margin Requirements under this Agreement including this Schedule C, "Variation Margin" does not include any portion of mark-to-market gains or losses that has been determined as the MTM Settlement Amount in accordance with Schedule E.
- d. Variation Margin at Contract Expiry - For greater certainty, at contract expiry, Variation Margin reverts to zero under
  - (i) Physically Settled Futures Products, as the positions move into delivery at the traded price and delivered positions begin being reflected in Current Month Accounts Net Payable; and
  - (ii) Financially Settled Gas Futures Products and Financially Settled ERCOT Power Futures Products, as positions are financially settled based on the price on the last settlement date and the Financially Settled Futures Amount begins being reflected in the Financially Settled Futures Settlement Net Payable.
- e. Delivery Margin — Exchange may determine to apply Delivery Margin in respect of any Product and may determine the Delivery Margin Rate applicable to each such product, each at the sole discretion of Exchange.

### **2. Margin Limit, Risk Limit and Discretionary Delivery Credit**

- a. The Margin Limit for each Contracting Party is the amount at which the Contracting Party's Initial Margin is equal to eighty percent (80%) of the Contracting Party's Net Equity. A Contracting Party may increase its Margin Limit with Exchange by increasing its Collateral.
- b. The Contracting Party's Risk Limit is equal to the Contracting Party's Margin Limit.
- c. Exchange will determine each Contracting Party's Discretionary Delivery Credit in conjunction with Exchange's insurance provider. Such Discretionary Delivery Credit is subject to change. Exchange shall provide notice in writing to each Contracting Party of the maximum value of Discretionary Delivery Credit, or any change thereto, that will be applied in the calculation of the Contracting Party's Margin Requirement.

### **3. Unsecured Credit**

- a. Exchange will not provide unsecured credit to any Contracting Party.

### **4. Activation**

- a. Prior to any Contracting Party being activated to trade on the ICE NGX Trading System and/or ICE NGX Clearing System, the Contracting Party must complete an Application and provide documentation satisfactory to Exchange that it meets: (i) the Minimum Qualification Requirement, as evidenced by its latest

financial statements; and (ii) any other qualification requirements imposed by Exchange having regard to overall integrity and security of Exchange, including, without limitation, corporate structure, governance or information relating to creditworthiness.

- b. If the Application is accepted by Exchange, Exchange will confirm to the Contracting Party that it believes the Contracting Party and, if applicable, its Credit Support Provider has satisfied the Minimum Qualification Requirement and any other fitness or financial requirements under this Section 5 or otherwise under this Agreement.
- c. A Contracting Party will be activated on the ICE NGX Trading System and/or ICE NGX Clearing System by Exchange after the Application has been accepted and all pre-requisite requirements have been satisfied under this Section 5 or otherwise under this Agreement and once Exchange has received Eligible Collateral Support which will be used to establish a Margin Limit for that Contracting Party.
- d. Exchange reserves the right to apply order size limits for each Contracting Party.
- e. At the discretion of Exchange, certain Contracting Parties will be allowed to sell only certain Physically Settled Gas Futures Products or Physically Settled Power Futures Products and provide Collateral to Exchange by utilizing Previous Month Accounts Net Payable and Current Month Accounts Net Payable payable by Exchange to such Contracting Parties.
- f. Exchange will activate designated persons for trading in specific Products on the ICE NGX Trading System and/or ICE NGX Clearing System based on instructions from the Administrator, and access by the Contracting Party to the applicable Transportation System pursuant to Section 2.6 of the Terms and Conditions.

## **5. Valuation of Collateral**

- a. For the purposes of calculating the value of Collateral, Available Margin and Margin Requirement for a Contracting Party, Exchange shall value the Collateral of the Contracting Party as follows:
  - (i) with respect to each letter of credit constituting Eligible Collateral Support, the undrawn portion of such letter of credit available to Exchange;
  - (ii) with respect to cash, or interest-bearing instruments contemplated by Section 3.3 of the Terms and Conditions, the full amount of cash or the face value of the instrument, as applicable;
  - (iii) with respect to Previous Month Accounts Net Payable, the amount of such Contracting Party's Previous Month Accounts Net Payable; provided that, no positive value shall be allocated for such Contracting Party for such Previous Month Accounts Net Payable after the 20<sup>th</sup> day of the current month;
  - (iv) with respect to Current Month Accounts Net Payable, the amount of such Contracting Party's Current Month Accounts Net Payable;
  - (v) with respect to Financially Settled Futures Settlement Net Payable, the amount of such Contracting Party's Financially Settled Futures Settlement Net Payable;
  - (vi) with respect to MTM Settlement Net Payable, the amount of such Contracting Party's MTM Settlement Net Payable; and
  - (vii) with respect to Variation Margin, the amount determined for such Contracting Party by Exchange, in its sole discretion.

**6. Daily Margin Limit Monitoring**

- a. During each Trading Day, Exchange will monitor the Margin Requirement of the Contracting Party and will make the Contracting Party's Margin Requirement available to the Contracting Party.

**7. Request by Exchange for Eligible Collateral Support**

- a. If the Initial Margin for a Contracting Party is equal to or greater than eighty percent (80%) of the Contracting Party's Net Equity, Exchange may request that additional Eligible Collateral Support be provided to Exchange.

- b. If

- (i) the Initial Margin for a Contracting Party is equal to or greater than ninety percent (90%) of the Contracting Party's Net Equity, or
- (ii) the Available Margin for the Contracting Party is less than the applicable Minimum Available Margin Requirement,

Exchange

- (iii) may request that additional Eligible Collateral Support be provided to Exchange, and
  - (iv) may halt the Contracting Party from entering orders for Products which will increase its Margin Requirement until the Contracting Party provides additional Eligible Collateral Support to the satisfaction of Exchange.
- c. If the Initial Margin for a Contracting Party is equal to or greater than one hundred (100%) of the Contracting Party's Net Equity, Exchange
- (i) may request that additional Eligible Collateral Support be provided to Exchange, and
  - (ii) will be entitled to, without limitation to any of its other rights or remedies, invoke the Liquidation and Close-out Procedures pursuant to Article 5 of the Terms and Conditions.
- d. Except as provided under Section 8.e. of this Section C, upon a request by Exchange for additional Eligible Collateral Support from a Contracting Party in accordance with this Agreement that is made on a Business Day for the Contracting Party, the Contracting Party is required to and agrees to provide such additional Eligible Collateral Support to Exchange within the next Business Day or, if the next Business Day is a Recognized Banking Holiday, then on the first Business Day that is not a Recognized Banking Holiday following any such request.
- e. Upon a request by Exchange for additional Eligible Collateral Support from a Contracting Party
- (i) in accordance with subsection 8.c. of this Schedule C
  - (ii) resulting from (and only to the extent of) the application of Stress Loss Charge to the Contracting Party's Margin Requirement; or
  - (iii) or as otherwise required by Exchange that is made
  - (iv) at or before 9:00am Eastern Prevailing Time on a Business Day that is not a Recognized Banking Holiday for the Contracting Party, the Contracting Party is required to and agrees to provide such additional Eligible Collateral Support to Exchange within the same Business Day;

- (v) after 9:00am Eastern Prevailing Time or on a Business Day that is a Recognized Banking Holiday for the Contracting Party is required to and agrees to provide such additional Eligible Collateral Support to Exchange on the first Business Day that is not a Recognized Banking Holiday following any such request.
- f. Notwithstanding anything else in this Agreement, including all Schedules, whenever the Exchange determines, in its sole discretion, that unstable conditions relating to one or more Products exist, or that the maintenance of an orderly market or the preservation of the fiscal integrity of the Exchange requires additional Eligible Collateral Support, or that any Contracting Party is carrying positions in Products or incurring risks in its account(s) that are larger than is justified by the financial and/or operational condition of the Contracting Party, the Exchange may
  - (i) require additional Eligible Collateral Support to be deposited with the Exchange within such time(s) as may be specified by the Exchange, which the Contracting Party is required to provide in accordance with this Agreement including Schedule C; and
  - (ii) limit withdrawals of any Eligible Collateral Support on deposit from the Contracting Party for such time as may be specified by the Exchange.

## **8. Request for Return of Eligible Collateral Support**

- a. A Contracting Party may request a return of Cash Collateral, or a reduction of Eligible Collateral Support it has provided to Exchange in the form of a letter of credit, if:
  - (i) its Initial Margin is less than eighty percent (80%) of Net Equity, all as calculated hereunder (the "Minimum Collateral Amount"); and
  - (ii) no Default has occurred and is continuing in respect of the Contracting Party and no Event of Default has been declared and is continuing in respect of the Contracting Party.
- b. Upon such a request, Exchange agrees to:
  - (i) return an amount of Cash Collateral equal to the lesser of:
    - (A) the full amount of such Cash Collateral; or
    - (B) such portion of such Cash Collateral as would reduce the value of the Collateral of the Contracting Party to be retained by Exchange, as calculated hereunder, to the Minimum Collateral Amount,

such return of Cash Collateral to occur on the next Business Day or, if the next Business Day is a Recognized Banking Holiday, then on the first Business Day that is not a Recognized Banking Holiday, following such request; or
  - (ii) accept a new or revised letter of credit where the value of the Collateral of the Contracting Party to be retained by Exchange, as calculated hereunder, meets or exceeds the Minimum Collateral Amount.

## **9. Risk to Exchange**

- a. Notwithstanding any provision of this Agreement, Exchange reserves the right at any time to:
  - (i) decline to enter into any Transactions which, in Exchange's sole determination, increases the credit exposure or adds additional risk of loss to or otherwise affects the risk profile of Exchange; or

- (ii) take any other reasonable actions to preserve the integrity and security of Exchange, the ICE NGX Trading System and/or the ICE NGX Clearing System (including, without limitation, making a request of a Contracting Party for additional Eligible Collateral Support, withholding payments due from Exchange to the Defaulting Party under this Agreement as if paid or provided to Exchange as Collateral, or invoking the Liquidation and Close-out Procedures, as determined in the sole discretion of Exchange.

**10. Contracting Party Affiliate Netting**

- a. Contracting Party Affiliates - Except as Exchange may otherwise agree, and without limitation to any other provision in this Agreement, Exchange will net the Transactions and related financial obligations of any Contracting Party and its Contracting Party Affiliates under this Agreement as follows:
  - (i) the Initial Margin will be determined on the aggregate of the Net Open Positions of the Contracting Party and its Contracting Party Affiliates;
  - (ii) the Variation Margin applicable to all Transactions of the Contracting Party and its Contracting Party Affiliates will be netted; and
  - (iii) the accounts payable and accounts receivable for all Transactions of the Contracting Party and its Contracting Party Affiliates will be netted.
- b. Affiliate Waiver - Exchange may, in its sole discretion and upon request of the Contracting Party, agree not to net the Contracting Party's Transactions and Net Open Positions with those of the Contracting Party's affiliates.

**11. Divisions or Business Units of Contracting Parties**

- a. At the request of a Contracting Party, Exchange may agree to provide segregated reports, invoices, nominations and accounts for divisions or business units as designated by the Contracting Party. Such segregation is for administration purposes only and will not change the rights or remedies of Exchange under this Agreement or the obligations of any such Contracting Party to perform its Obligations.