Cboe Clear SM

Regulation Buy-In Procedure

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1. Introduction

1.1 Regulation

This Regulation Buy-in Procedure is a Regulation as defined in the Clearing Rule Book.

1.2 Definitions

Capitalised terms used in this Regulation, and not otherwise defined herein, have the meaning as set out in the Clearing Rule Book.

1.3 Effective date

This Regulation comes into force on ~~10 March~~_____ 2025 and replaces any prior version of Regulation Buy-in Procedure.

1.4 Purpose

This Regulation sets out the process for a buy-in or sell out by Cboe Clear following a Fail by a Clearing Participant.

2. Buy-in process for Securities Clearing and Derivatives Clearing

This article 2 applies only to Securities Clearing and the settlements that result from the exercise of Equity Options Contracts.

2.1 Buy-in notification

Buy-in notifications will be issued on the day set out in article 4.4 of this Regulation. The failing Clearing Participant will receive a buy-in notification from Cboe Clear via e-mail. The notification will be sent before 09:00 AM CET and will provide an overview of all relevant information. All transactions not settled by 08:45 AM CET on the relevant notification date will be marked for buy-in.

Cboe Clear reserves the right to delay the start of a buy-in procedure at its own discretion. Clearing Participants shall not initiate a buy-in against Cboe Clear.

2.2 Early buy-in

An early buy-in will commence when Cboe Clear has onward deliveries which have exceeded the buy-in date but have not received receipt instructions on the buy-in date. An early buy-in can commence from intended settlement date ("**ISD**")+1.

The oldest pending transaction(s) will be selected up to the number of securities needed for an early buy-in.

A delivering Clearing Participant selected for an early buy-in will receive an early buy-in announcement via e-mail on the buy-in date before 09:00 AM CET and will be given the time to close of business the following day to deliver.

Due to the alternative timelines, no early buy-in's will be executed against registered market makers.

2.3 Buy-in execution

The failing delivering Clearing Participant has until the delivery versus payment ("**DVP**") cut-off time per the relevant CSD on buy-in date to deliver the securities, to the settlement account of ~~-~~Cboe Clear. Should the securities not be received by such cut-off time ~~timely received~~, the settlement will be cancelled by Cboe Clear and the Clearing Participant must cancel the delivery instruction within 15 minutes from receiving the instruction to cancel from Cboe Clear.

Cboe Clear will appoint a broker to facilitate the buy-in transaction. The failing delivering Clearing Participant will be informed of the buy-in on the processing date and receive an overview after the execution detailing all additional costs, including broker fees.

Any bought in s~~S~~ecurity will be delivered from the relevant Cboe Clear securities accounts specified in the document 'Cboe Clear Standard Settlement Instructions' (as amended from time to time) as published on the website of Cboe Clear.

Where Cboe Clear has instructed a broker to buy the relevant ~~S~~securities and the broker is unable to deliver such s~~S~~ecurities to Cboe Clear (for example, due to lack of liquidity or a delisting of the s~~S~~ecurity), Cboe Clear shall cancel the buy-in execution and initiate cash settlement as set out in article 2.5 of this Regulation. The cash settlement shall be executed against the closing price of the relevant security on the Clearing Day before cash settlement takes place.

2.4 Buy-in amount

Cboe Clear will calculate the cash difference between the position being bought in and the failing delivery instruction. Any such difference shall result ~~, resulting~~ in a cash movement between the failing delivering Clearing Participant and Cboe Clear as follows:

a) w~~W~~here the price of the s~~S~~ecurities agreed at the time of the trade is lower than the price paid for the execution of the buy-in, the corresponding difference shall be paid by the failing delivering Clearing Participant to Cboe Clear; and~~.~~
b) ~~W~~where the price of the ~~S~~securities agreed at the time of the trade is higher than the price paid for the execution of the buy-in, the corresponding difference shall be paid to the failing delivering Clearing Participant by Cboe Clear.

2.5 Cash settlement

If Cboe Clear cannot facilitate the buy-in, either in full or in part, then the outstanding or remaining obligation to deliver may be cash-settled ~~in cash~~ by Cboe Clear.

A cash settlement is undertaken by cancelling the original settlement instruction with both the delivering Clearing Participant and the receiving Clearing Participant and replacing it with a cash payment.

The basis for a cash settlement will be the closing price for the relevant securities of the most recent Clearing Day prior to the buy-in or the last trade price adjusted for a corporate event of the relevant securities; provided that, for an obligation related to a failed buy-in, the basis for a cash settlement will be the closing price of the relevant security on the most recent Clearing Day prior to the cash settlement date. The cash settlement percentage (see table in article 4.34 of this Regulation) will be applied to this price to establish the cash settlement price. In the event of a cash settlement~~,~~ where the settlement price is higher than the original price of the failed settlement instruction ~~the following actions will be taken, considering the cash settlement price is higher than the original price of the failed settlement instruction~~:

a) t~~T~~he receiving Clearing Participant to the original failed settlement instruction will be credited with the difference between the original price of the failed settlement instruction and the cash settlement price~~;~~.

b) ~~T~~the delivering Clearing Participant to the original failed settlement instruction will be debited for the difference between the original price of the failed settlement and the cash settlement price~~;~~.

c) ~~T~~the Clearing Participants involved in the cash settlement will receive an email confirming the total cash amount due; and~~.~~

d) ~~I~~in case of an early buy-in, the failing receiving Clearing Participant ~~will be requested to~~shall cancel its settlement instruction and will receive a cash ~~compensation~~ settlement instead.

Where the cash settlement price is lower than the original price of the failed settlement instruction, Cboe Clear will cancel the settlement instructions created in the buy-in process and no cash ~~compensations or penalties~~ amount will be transferred between the receiving Clearing Participant and delivering Clearing Participant.

2.6 Sell out

If a settlement instruction is still failing due to lack of cash or incorrect instructions by the receiving Clearing Participant on ISD+5, Cboe Clear can commence the ~~sell-out~~ procedure set out in this clause.

Cboe Clear may employ a broker for the sell-out process or offer the position for tender to Clearing Participants at its own discretion.

The failing Clearing Participant will be informed of the sell out on the processing date of the sell out and receive an overview after the execution detailing all additional costs,

including broker fees. The failing Clearing Participant is obliged to pay these costs within 2 Clearing Days.

2.7 Corporate actions

If the position that is bought in is subject to a corporate action, Cboe Clear will also manage the corporate action in the buy-in procedure pursuant to ~~. For further detail please see~~ section 7.4 *Buy-ins on Corporate Action transformation outcome* of ~~the~~ Regulation Corporate Actions.

2.8 Rights

Generally, Cboe Clear will not commence the buy-in process on ISD+5 for rights but may commence the buy-in process at any time ~~do so~~ at its own discretion. If the exercise of the Rights results in a delivery of securities, then section 7.4 *Buy-ins on Corporate Action transformation outcome* of ~~the~~ Regulation Corporate Actions applies.

~~Outstanding obligation to deliver non-tradeable temporary ISIN's (such as bearer shares) and tradeable rights that settle in the Spanish CSD, Cboe Clear will not cash settle the failing obligation by the end of ISD+5.~~

3. Inter central counterparty transactions

A central counterparty ("**CCP**") cannot initiate a buy-in on a selling CCP. As each interoperating CCP will follow its own buy-in schedule, this may result in a delayed delivery.

4. Exceptions to the buy-in schedule

4.1 Market maker schedule

For market makers, an alternative buy-in execution timeline may apply; for all equities and ETP~~F~~s listed on the LSE, SIX Swiss Exchange, Euronext Dublin and Euronext Main Markets, the buy-in execution date for designated market makers is ISD+11.

Cboe Clear may employ a broker between ISD+12 to ISD+20 or offer the position for tender to Clearing Participants at its own discretion.

If a buy-in has not taken place before or on ISD+20, a cash settlement will take place in accordance with article 2.5 of this Regulation.

4.2 Exchange Traded Products

For ~~E~~exchange ~~T~~traded ~~P~~products listed in Regulation Securities, such as ETFs, ETCs, ETNs, the buy-in notification will be sent on~~in~~ ISD+7 and the buy-in execution will take place on ISD+8.

~~4.3 Spain~~

~~For the Spanish market no buy-ins will be initiated by Cboe Clear and, non-delivery of Ssecurities will be settled via the cash settlement process on ISD+5. The failing Clearing Participant will receive a cash settlement notification on ISD+3.~~

~~The basis for a cash settlement will be the closing price of the most recent business day prior to the cash settlement (ISD+4) or the last trade price adjusted for a corporate event of the relevant Securities. The cash settlement percentage of 120% will be applied to this price to calculate the cash settlement price.~~

~~The receiving Clearing Participant to the original failed settlement instruction will be credited with the compensation as described in section 2.5 of this Regulation.~~

~~The failing delivering party will be debited for the cash amount which is calculated in accordance with the cash compensation rules as described in section 3.3 of this Regulation plus any other related costs incurred by Cboe Clear. The cash amount to be paid by the failing Clearing Participant will be processed between Cboe Clear and the Clearing Participant bilaterally. The failing settlement instruction will be cancelled in T2S by Cboe Clear Clearing Participant informed accordingly.~~

~~Early cash compensation in Spain occurs when a receiving Clearing Participant has a failing transaction at ISD+5 and there are only failing delivery transactions with a ISD < ISD+5. The early cash compensation can be initiated from ISD+0 after DVP cut-off. The failing delivering Clearing Participant will be debited for the cash amount which is calculated in accordance with the cash compensation rules as described in this section.~~

~~4.4~~4.3 Buy-in details

Type	Notification of buy-in / cash settlement	Buy-in execution	Cash settlement execution	Cash settlement percentage
Default	ISD+4	ISD+5	ISD+5	120%
Exchange Traded Product 1	ISD+7	ISD+8	ISD+8	120%
Market Maker securities 2	ISD+10	ISD+11	ISD+20	120%
~~Spanish market~~	~~ISD+3~~	~~n.a.~~	~~ISD+5~~	~~120%~~

5. Buy-in process for SFTs

A buy-in process is only applicable, and will only take place, when:

a) a Borrower fails to deliver Equivalent Loaned Securities to Cboe Clear on the intended Settlement Date for the Closing Leg, upon Cboe Clear having processed a Recall instruction from a Lender; and

b) where such Borrower is not a Defaulting Clearing Participant

The failed settlement of Loaned Securities from a Lender to Cboe Clear under the Opening Leg of an SFT will not be eligible for a buy-in, as the fail period ~~will never~~cannot exceed 2 Clearing Days after the intended Settlement Date. During the end of day process on the 2nd failing settlement day, the SFT and Related SFT will automatically terminate.

The failed settlement of Equivalent Loaned Securities from a Borrower to Cboe Clear, upon Cboe Clear having processed a Return instruction from a Borrower, will not be eligible for a buy-in, as there will be no fail on the intended Settlement Date. Before the end of day process on the intended Settlement Date, Cboe Clear will deem the Return request to have been cancelled, in accordance with Regulation SFT Lifecycle.

5.1 SFT Buy-in notification

Buy-in notifications will be issued on the day set out in article 4.4 of this Regulation (applied mutatis mutandis). The failing delivering Clearing Participant will receive a buy-in notification from Cboe Clear via e-mail. The notification will be sent before 09:00 AM CE(S)T and will provide an overview of all relevant information. All SFTS (in respect of which a Recall instruction with a Settlement Date of the relevant Clearing Day has been given) not settled by 08:45 AM CE(S)T on a Clearing Day will be marked for notification.

5.2 SFT Buy-in execution

The failing delivering Clearing Participant has until the cut-off time for the relevant CSD on the buy-in date to deliver Equivalent Loaned Securities to the Loaned Securities account of Cboe Clear (the SSIs for which are specified in Appendix 1 to Regulation SFT Settlement). Should the Equivalent Loaned Securities not be delivered by the cut-off time for the relevant CSD, the instruction for settlement of Equivalent Loaned Securities by Borrower will be cancelled by Cboe Clear and the Clearing Participant must cancel any settlement within 15 minutes from receiving notification of the cancellation of the settlement instruction from Cboe Clear.

5.3 Buy-in deadlines per market

The deadlines for SFT buy-ins per market are specified in article 4.4 (applied *mutatis mutandis*).

5.4 SFT Buy-in process

Following the cancellation of the Recall instruction in accordance with article 5.2 above, Cboe Clear will (if Cboe Clear is able to confirm that there are sufficient funds in the Borrower's cash account to pay the relevant purchase price) buy Equivalent Loaned Securities from a buy-in broker, whereby the purchase price for such Equivalent Loaned Securities will be debited from the Borrower's cash account, via a direct debit instruction.

Upon receipt of the Equivalent Loaned Securities from the buy-in broker in Cboe Clear's settlement account, Equivalent Loaned Securities will be transferred to the Lender under the Related SFT. Upon receiving the confirmation that the Equivalent Loaned Securities have been received by the Lender under the Related SFT, Cboe Clear will instruct the Lender's transfer of Equivalent RQV Assets to Cboe Clear under the Related SFT and Cboe Clear will transfer Equivalent RQV Assets to the Borrower under the SFT.

5.5 Cash settlement

If Cboe Clear cannot facilitate the buy-in in full or in part, then the outstanding or remaining obligation of Cboe Clear to the Lender under the Related SFT to deliver Equivalent Loaned Securities may be settled in cash by Cboe Clear pursuant to article 2.5, using the cash settlement percentages of article 4.4 (each applied mutatis mutandis).