



# **Cboe Clear Europe N.V. Clearing Rule Book**

**1 May 2026**

<b>Introduction</b> .....	5
Chapter 1. General rules - applicable to all Clearing Members .....	6
<b>1. Definitions and interpretation</b> .....	6
<b>2. Application procedure and acceptance of Clearing Members</b> .....	20
<b>3. Contractual relations</b> .....	21
<b>4. Continuing requirements for Clearing Members</b> .....	23
<b>5. Clearing services</b> .....	26
<b>6. Margin</b> .....	27
<b>7. Default Fund</b> .....	29
<b>8. Fees, costs and penalties</b> .....	32
<b>9. Tax</b> .....	33
<b>10. Data and information</b> .....	33
<b>11. Duty of care and liability of Cboe Clear</b> .....	34
<b>12. Duty of care, liability and indemnification of Clearing Member</b> .....	35
<b>13. Breach of Clearing Member</b> .....	36
<b>14. Clearing Member Default</b> .....	38
<b>15. Set off by Cboe Clear</b> .....	43
<b>16. Liquidity measures</b> .....	43
<b>17. Recovery measures</b> .....	43
<b>18. Resolution measures</b> .....	44
<b>19. Cboe Clear Default</b> .....	45

<b>20. Inactive status and termination of relationship between Clearing Member and Cboe Clear .....</b>	<b>46</b>
<b>21. Language .....</b>	<b>47</b>
<b>22. Time.....</b>	<b>48</b>
<b>23. Governing law and jurisdiction .....</b>	<b>48</b>
<b>24. Invalidity and Severability .....</b>	<b>48</b>
<b>25. Complaints.....</b>	<b>48</b>
Chapter 2. Securities Clearing .....	49
<b>Introduction.....</b>	<b>49</b>
<b>1. Clearing Members.....</b>	<b>49</b>
<b>2. Accounts .....</b>	<b>50</b>
<b>3. Securities Clearing .....</b>	<b>Error! Bookmark not defined.</b>
<b>4. Acceptance .....</b>	<b>51</b>
<b>5. Postings.....</b>	<b>52</b>
<b>6. Securities Positions .....</b>	<b>52</b>
<b>7. Settlement .....</b>	<b>52</b>
<b>8. Cooperating Clearing House, Interoperability Fund .....</b>	<b>53</b>
<b>9. Reporting.....</b>	<b>54</b>
Chapter 3. SFT Clearing .....	55
<b>1. Clearing Members.....</b>	<b>55</b>
<b>2. Accounts .....</b>	<b>58</b>

<b>3.</b>	<b>SFT Clearing</b> .....	58
<b>4.</b>	<b>Acceptance</b> .....	59
<b>5.</b>	<b>SFTs</b> .....	59
<b>6.</b>	<b>RQV</b> .....	61
<b>7.</b>	<b>Opening Legs</b> .....	63
<b>8.</b>	<b>Closing Leg</b> .....	64
<b>9.</b>	<b>Other terms applicable to SFTs</b> .....	64
<b>10.</b>	<b>Fails</b> .....	65
<b>11.</b>	<b>Corporate actions</b> .....	65
<b>12.</b>	<b>Transaction tax</b> .....	65
<b>13.</b>	<b>Re-use of Loaned Securities and RQV Assets</b> .....	66

# Introduction

This document is the Clearing Rule Book of Cboe Clear. The Clearing Rule Book contains the general rules that apply between Clearing Members and Cboe Clear and to the Clearing Services that Cboe Clear provides. Part of these general rules have been worked out in detail and are supplemented in Regulations. The Clearing Rule Book, the Regulations and the Clearing Member Adherence Agreement entered into by a Clearing Member together form the Clearing Member Agreement between Cboe Clear and Clearing Member.

The Clearing Rule Book is divided into three chapters. Chapter 1 provides the general rules that apply between Cboe Clear and each Clearing Member. Chapter 2 provides the general rules that apply, in addition to the rules of chapter 1, to the Clearing Members that make use of Securities Clearing. Chapter 3 provides the general rules that apply, in addition to the rules of chapter 1, to Clearing Members that make use of SFT Clearing.

# Chapter 1. General rules - applicable to all Clearing Members

Chapter 1 provides the general rules that apply to Cboe Clear and to each Clearing Member that makes use of any of the Clearing Services of Cboe Clear.

## 1. Definitions and interpretation

### 1.1. Definitions

In this Clearing Rule Book, the following terms, when capitalised, shall have the respective meanings set out below.

"Acceptance", "to Accept" means:

- a) in relation to Securities Clearing, the action of Cboe Clear whereby Cboe Clear accepts a Trade for clearing, as a result of which Cboe Clear becomes the counterparty to the seller under a Trade Leg with the seller and as a result of which Cboe Clear becomes the counterparty to the buyer under a separate Trade Leg with the buyer; and
- b) in relation to SFT Clearing, the action of Cboe Clear whereby Cboe Clear accepts a Trade for clearing as an SFT, as a result of which Cboe Clear becomes the counterparty of the Borrower under an SFT with the Borrower and the counterparty of the Lender under a Related SFT with the Lender.

"Additional Capital" means the sum of other equity reserves, profit and loss reserves, redeemable shares and subordinated debt instruments.

"Agent" means a party that has been accepted by Cboe Clear, in accordance with the requirements of Regulation Clearing Members, to act on behalf of one or more Special Clearing Members in respect of one or more Positions entered into with Cboe Clear.

"Approved RQV Currency" means a currency that may be provided as an RQV Asset pursuant to Regulation RQV.

"Approved RQV Security" means a security that may be provided as an RQV Asset pursuant to Regulation RQV.

"Associated Entity" means, in respect of any Special Clearing Member:

- a) its management company; or
- b) that is a Swiss collective investment vehicle, its fund management company or general partner (as applicable).

"Attributable Loss" means, as of any time and in respect of a Clearing Member who submitted a Bid in an auction which was lower than the winning Bid, an amount equal to the product of: (i) the remaining losses of Cboe Clear in respect of such auction; and (ii) the proportion that the Clearing Member's Bid Shortfall bears to the aggregate Bid

Shortfall of each Clearing Member who submitted a Bid in the auction which was lower than the winning Bid.

"Base Capital" means the sum of issued and fully paid ordinary share capital, issued and fully paid preference share capital and share premium accounts and reserves not available for distribution.

"Bid" means an offer pursuant to article 5.8 of chapter 1 and Regulation Securities Default Handling for a price payable or receivable to enter into the open Positions of an auction portfolio.

"Bid Shortfall" means, in respect of a Clearing Member who submits a Bid in an auction which is lower than the winning Bid, the difference between such Clearing Member's Bid and the winning Bid.

"Borrower" means a Standard Clearing Member specified as the party seeking to borrow or that has borrowed Loaned Securities in exchange for RQV Assets as set out in the Posting in respect of a Trade.

"Break Costs" means, in relation to any Related SFT that has become an Open Term SFT pursuant to article 5.4.5 of chapter 3 (a "Converted SFT"), the amount (if any) by which:

- a) where the Defaulting Clearing Member is the Lender;
- b) the Rate (as reasonably determined by Cboe Clear) that would be payable by the Borrower under that Related SFT to another lender if that Borrower were to enter into a new Fixed Term SFT with that other lender in respect of the same Loaned Securities as those under that Related SFT for a term starting on the date of the issuance of the Notice of Default in respect of that Defaulting Clearing Member and ending on the date that would have been the scheduled Settlement Date for the Closing Leg of that Related SFT but for it having become a Converted SFT (assuming, for these purposes, that the Value of such Loaned Securities was at all times equal to their Value on the date of the issuance of such Notice of Default); exceeds
- c) the Rate that would have been payable by the Borrower to Cboe Clear under that Related SFT (had it not become a Converted SFT) for the period starting on the date of the issuance of the Notice of Default in respect of that Defaulting Clearing Member and ending on the date that would have been the scheduled Settlement Date for the Closing Leg of that Related SFT but for it having become a Converted SFT (assuming, for these purposes, that the Value of the Loaned Securities under that Related SFT was at all times equal to their Value on the date of the issuance of such Notice of Default); or
- d) where the Defaulting Clearing Member is the Borrower;
  - i. the Rate that would have been payable by Cboe Clear to the Lender under that Related SFT (had it not become a Converted SFT) for the period starting on the date of the issuance of the Notice of Default in respect of such Defaulting Clearing Member

and ending on the date that would have been the scheduled Settlement Date for the Closing Leg of that Related SFT but for it having become a Converted SFT (assuming, for these purposes, that the Value of the Loaned Securities under that Related SFT was at all times equal to their Value on the date of the issuance of such Notice of Default); exceeds

- e) the Rate, as reasonably determined by Cboe Clear, that would be payable to the Lender under that Related SFT by another borrower if that Lender were to enter into a new Fixed Term SFT with that other borrower in respect of the same Loaned Securities as those under that Related SFT for a term starting on the date of the issuance of the Notice of Default in respect of that Defaulting Clearing Member and ending on the date that would have been the scheduled Settlement Date for the Closing Leg of that Related SFT but for it having become a Converted SFT (assuming, for these purposes, that the Value of such Loaned Securities was at all times equal to their Value on the date of the issuance of such Notice of Default).

"Breach" means a Breach as defined in article 13.1 of chapter 1.

"Cboe Clear" means Cboe Clear Europe N.V., a Netherlands law public limited liability company with offices at Gustav Mahlerplein 77, 1082 MS Amsterdam, The Netherlands. Cboe Clear is registered with the Netherlands chamber of commerce under number 34268194.

"Cboe Clear Bankruptcy Event" means a judgment of bankruptcy in relation to Cboe Clear that has been given by a Dutch court.

"Cboe Clear Default Event" means the failure by Cboe Clear to comply with an obligation to pay cash or deliver securities to Clearing Member, provided the relevant failure is continuing for a period of thirty Clearing Days after Cboe Clear has received a Notice of such failure from Clearing Member.

"CE(S)T" or "CET" means Central European Time or Central European Summer Time, whichever is applicable.

"DF Contribution" means the contribution to the Default Fund that Clearing Member must provide to Cboe Clear.

"DF Contribution Value" means the value of the contribution of Clearing Member to the value of the Default Fund at a given moment, as calculated in accordance with Regulation Default Fund.

"Clearing", "to Clear" means the services of Cboe Clear provided to Clearing Member as agreed upon in the Clearing Member Agreement between Cboe Clear and Clearing Member.

"Clearing Day" means any day specified as such in Regulation Clearing Days.

"Clearing Fund" means Default Fund.

"Clearing Member" means each party that has entered into the Clearing Member Agreement and that has been accepted by Cboe Clear as a member of a Clearing Service of Cboe Clear.

"Clearing Participant" means Clearing Member.

"Clearing Member Adherence Agreement" means the document (entitled 'Clearing Participant Agreement' in relation to a Party that became a Clearing Member before 28 November 2024 and entitled (i) 'Clearing Participant Adherence Agreement' or (ii) 'Clearing Member Adherence Agreement' in relation to a Party that became or becomes a Clearing Member on or after 28 November 2024) through the execution of which Clearing Member and Cboe Clear together enter into the Clearing Member Agreement.

"Clearing Member Agreement" the contractual relationship between Cboe Clear and Clearing Member, comprising the Clearing Member Adherence Agreement, the Clearing Rule Book and the Regulations.

"Clearing Rule Book" means this document.

"Clearing Rules" means the rules set out in this Clearing Rule Book together with all Regulations.

"Clearing Service" means each of:

- a) Securities Clearing; and
- b) SFT Clearing.

"Client" means any Person which has opened accounts with respect to one or more Clearing Services in the books of a Clearing Member, other than a Trading Participant.

"Closing Leg" means, in respect of a SFT, the period that begins immediately following the settlement of the Opening Leg of such SFT and ends upon the later of:

- a) the transfer of Equivalent Loaned Securities by Cboe Clear to Lender under the SFT or Related SFT (as applicable); and
- b) the transfer of Equivalent RQV Assets by Cboe Clear to the Borrower under the SFT or Related SFT (as applicable),

in each case on the applicable Settlement Date.

"Collateral Directive" means Directive 2002/47/EC of 6 June 2002 on financial collateral arrangements.

"Collateral Management Documentation" means the arrangements setting out certain collateral management services to be provided by a TPCA to Cboe Clear and/or a Clearing Member in respect of RQV Assets that are transferred from time to time in connection with any SFT.

"Competent Authority" means any body or person by which Cboe Clear, a Clearing Member and/or a Security Agent is regulated and/or supervised or that otherwise is competent to supervise, instruct, or penalise Cboe Clear, a Clearing Member and/or a Security Agent pursuant to applicable law, regulation or agreement.

"Cooling-Off Period" means the period of time starting on the date that Cboe Clear issues a Default Handling Completion Notice to the Clearing Members and ending on the date falling thirty calendar days after the issuance of such Default Handling Completion Notice.

"Co-operating CCP" means a party that has entered into a Link Agreement with Cboe Clear.

"Corporate Action" means any corporate event in respect of a security including, without limitation, repayment, dividends or other cash distributions, stock dividends, splits, share capitalisations, conversions or other elective or non-elective mandatory events, as well as rights subscriptions, options and (take over) offers.

"CRD" means Directive (EU) 2013/36.

"CSD" means any central securities depository or securities settlement system in respect of whom settlement instructions for securities have been set out in Regulation Settlement.

"Default", "to Default" means in relation to a Clearing Member, that Cboe Clear has sent a Notice of Default to such Clearing Member pursuant to article 14.1 of chapter 1.

"Defaulting Clearing Member" means a Clearing Member in Default.

"Default Fund" means the default fund that has been established by Cboe Clear for its Clearing Services in accordance with article 42 EMIR.

"Default Handling Period" means the period from the issuance of a Notice of Default to a Clearing Member, until the issuance of a Default Handling Completion Notice by Cboe Clear to all Clearing Members in relation to that Default Handling Period.

"Default Handling Completion Notice" means the Notice with which Cboe Clear informs the Clearing Members, that the Default Handling Period has terminated.

"Depository" means the entity appointed to be the depository of one or more Pledge-Back Lenders, who shall be notified to Cboe Clear by each such Pledge-Back Lender as part of the application and acceptance of such Pledge-Back Lender as a Clearing Member.

"Depository RQV Account" means an account opened with a TPCA in the name of a Depository (or a delegate acting on its behalf) to which RQV Assets received from Cboe Clear will be recorded and held by such Depository (or delegate) on behalf of one or more Pledge-Back Lenders.

"Direct Clearing Member" means, in respect of Securities Clearing, a Clearing Member as specified in article 1.3 of chapter 2.

"Dutch Civil Code" means *Burgerlijk Wetboek*;

"EMIR" means Regulation (EU) No. 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

"Equivalent" means:

- a) in relation to any Loaned Securities or RQV Assets, cash or securities of an identical type, nominal value, description and amount as such Loaned Securities or RQV Assets and if, and to the extent that Loaned

Securities or RQV Assets consist of securities that have been or are the subject of a Corporate Action, Equivalent Loaned Securities or RQV Assets will be established in accordance with Regulation Corporate Actions; and

- b) in relation to any other cash or securities, cash or securities of an identical type, nominal value, description and amount as such cash or securities (as determined by Cboe Clear (acting reasonably)).

"EU Regulation R&R" means Regulation (EU) No 2021/23 of 16 December 2020 on a framework for the recovery and resolution of central counterparties.

"Ex-Date" means, in respect of a security, the date from which the relevant security starts trading without the value of the outcome of the next relevant upcoming Corporate Action.

"Fail" means the failure by Clearing Member to provide all currency and/or securities that Clearing Member is required to deliver pursuant to the Clearing Member Agreement for the settlement of a Position on the relevant Settlement Date for such delivery obligation (or the date on which the delivery obligation is specified as needing to be fulfilled in the Clearing Rules).

"Failed Trade" means any Trade that is subject to a Fail.

"Failing Clearing Member" means the Clearing Member that caused a Fail.

"Financial Instrument" has the meaning ascribed to it in the Collateral Directive.

"Fixed Term SFT" means an SFT in respect of which a Settlement Date for its Closing Leg has been agreed and specified in a Posting in respect of such SFT or the Related SFT.

"Force Majeure" means any extraordinary event or events independent of either of the parties' will that cannot be foreseen or avoided by them, being beyond their control which prevents the parties from complying with their obligations undertaken in the Clearing Rules or in the Clearing Member Agreement such as hurricanes, earthquakes, international conflicts, strokes of lightning and war or any other event referred to by article 6:75 of the Dutch Civil Code;

"GDPR" means Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation).

"General Clearing Member" means a Clearing Member as specified in article 1.4 of chapter 2.

"Gross Omnibus Client Position Account" means a Position Account held by a Clearing Member as principal in its own name and capacity, but for the joint account of Clients of that Clearing Member, where Positions are margined on a gross basis.

"Gross Omnibus Indirect Client Position Account" means a Position Account held by a Clearing Member as principal in its own name and capacity, but for a Client of that Clearing Member in relation to the joint account of Clients of that Client, where Positions are margined on a gross basis.

"House Margin Account" means the Margin Account opened by Cboe Clear on its books and records to record the Margin received by Cboe Clear in relation to the House Position Account to which that House Margin Account relates.

"House Position Account" means the Position Account for the registration of Positions held by the Clearing Member for its own account.

"IF Contribution" means the contribution that a Clearing Member has to provide or as the context requires, has provided to Cboe Clear in relation to the Interoperability Fund.

"IFD" means Directive (EU) 2019/2034.

"IFRS" means international financial reporting standards.

"Individual Client Margin Account" means the Margin Account opened by Cboe Clear on its books and records to record the Margin received by Cboe Clear for the Individual Client Position Account to which that Individual Client Margin Account relates.

"Individual Client Position Account" means the Position Account for the registration of Positions held by Clearing Member as principal in its own name and capacity, but for the account of a specified individual Client of Clearing Member.

"Initial Margin" means the Margin collected by Cboe Clear from a Clearing Member (and, where relevant, a Co-operating CCP) in relation to the potential exposure of Cboe Clear to such Clearing Member in the interval between the last Margin collection and the liquidation of Positions following a default of such Clearing Member or a Co-Operating CCP.

"Intermediate Pledge Security Agreement" means the security agreement entered into by Cboe Clear pursuant to which Cboe Clear grants Security over RQV Assets held in an account of Cboe Clear in favour of the Security Agent appointed by one of more Pledge-Back Lenders.

"Interoperability Fund" means the interoperability fund set up pursuant to article 8.2 of chapter 2.

"Investment Loss" means any loss and costs (including the costs of currency exchange) incurred by Cboe Clear related to investments that Cboe Clear has made in accordance with its investment policy in excess of the capital allocated by Cboe Clear for credit, counterparty and market risk pursuant to article 1 (c) of RTS 152/2013.

"Kuwait Bankruptcy Law" means Law No. 71 of 2020 published in the Kuwait official gazette on 25 October 2020 (as amended or replaced).

"Lender" means a Clearing Member specified as the party seeking to lend or that has lent Loaned Securities in exchange for RQV Assets as set out in the Posting in respect of a Trade.

"Link Agreement" means any agreement between Cboe Clear and a Co-operating CCP relating to an interoperable central counterparty structure between them.

"Liquidation Amount" means the amount specified as such in article 14.6(c) of chapter 1.

"Liquidation Date" means the date as specified as such in article 14.6 of chapter 1.

"Loaned Security" means a security specified as such in the Posting in respect of a Trade that is agreed to be delivered or that has been delivered pursuant to an SFT.

"Losses" means all losses (whether direct or indirect), costs and liabilities of any kind.

"Margin" means the collateral assets (other than RQV Assets) that Clearing Member must provide and/or has provided (as the case may be) to Cboe Clear to secure all obligations of Clearing Member to Cboe Clear in respect of any Positions.

"Margin Account" means an account opened on the books and records of Cboe Clear in the name of Clearing Member, to record the Margin received by Cboe Clear in relation to the Position Account to which that margin account relates.

"MiFID" means Directive 2014/65/EU of 15 May 2014 on markets in financial instruments.

"Member State" means any of the member states of the European Economic Area.

"Net Account Value" means in relation to each single Position Account and connected Margin Account, the aggregate net value expressed in euro, calculated as the value of all Margin that has been delivered to Cboe Clear by Clearing Member under title transfer (expressed as a positive amount) and that Cboe Clear has recorded on the Margin Account, together with the close-out values (with amounts owed to Clearing Member expressed as a positive amount and amounts owed to Cboe Clear expressed as a negative amount) of all Positions held on the Position Account. If such amount is negative, it will be owed to Cboe Clear and if it is positive, it will be owed to Clearing Member.

"Net Amount" means the single net aggregate amount of all Net Account Values relating to Clearing Member, together with the value of the Settlement Exposure Add-on provided by Clearing Member, the value of the Settlement Prefunding provided by Clearing Member, the DF Contribution Value of Clearing Member and the IF Contribution of such Clearing Member to the value of the Interoperability Fund. If such amount is negative, it will be owed to Cboe Clear and if it is positive, it will be owed to Clearing Member.

"Net Capital" means the sum of Base Capital and Additional Capital, minus non-current assets such as goodwill, development costs, patents, trademarks, licenses, permits and other equivalent intangible assets; provided that Cboe Clear may exclude specific components from Base Capital or Additional Capital on the basis of prudential or risk-based considerations.

"Net Omnibus Client Position Account" means a Position Account for the registration of Positions held by a Clearing Member as principal in its own name and capacity, but for the joint account of Clients of such Clearing Member, where Positions are margined on a net basis.

"Net Omnibus Indirect Client Position Account" means a Position Account for the registration of Positions held by a Clearing Member as principal in its own name and capacity, but for a Client of such Clearing Member in relation to the joint account of Clients of that Client, where Positions are margined on a net basis.

"Notice" means a message in written form (which may include email and other forms of electronic messages as agreed between Parties), and which is sent to the address details as specified by the receiving Party for the purpose of receiving notices.

"Notice of Default" has the meaning given to that term in article 14.1 of chapter 1.

"Notice of Termination" means a Notice by Clearing Member to Cboe Clear that it initiates the procedure in article 19 of chapter 1.

"Novation" means the legal process whereby a Trade that is accepted for Clearing by Cboe Clear, is replaced by two Trade Legs.

"OFAC" means the Office of Foreign Assets Control in the United States.

"Omnibus Client Margin Account" means the Margin Account opened by Cboe Clear in its administration to keep record of the Margin received by Cboe Clear for the Omnibus Client Position Account to which that Omnibus Client Margin Account relates.

"Omnibus Client Position Account" means a Gross Omnibus Client Position Account or a Net Omnibus Client Position Account.

"Omnibus RQV Account" means an account opened with a TPCA in the name of Cboe Clear to which RQV Assets will be credited and over which a pledge will be granted in favour of a single Security Agent for the benefit of each Pledgee Lender which has appointed that Security Agent and acts as Lender in respect of an SFT in respect of which RQV Assets have been credited to that account.

"Open Offer" means the legal process whereby Cboe Clear makes an offer on a continuing basis to its Clearing Members to enter into Trade Legs, which offer is accepted by a Clearing Member in respect of a Trade that fulfils the conditions that are specified in Regulation Posting:

- a) in relation to Securities Trades that are entered into on a Trading Venue, on the moment that such Trade is concluded on the Trading Venue; and
- b) in relation to SFTs, after receipt by Cboe Clear of the Posting in relation to that Trade.

"Opening Hours" means the time during a Clearing Day, specified as such in Regulation Clearing Days.

"Opening Leg" means, in respect of an SFT and the Related SFT, the period from Acceptance of the Trade related to such SFT and Related SFT by Cboe Clear to the delivery of the Loaned Securities to the Borrower by Cboe Clear under the SFT.

"Open Term SFT" means an SFT in respect of which a Settlement Date for its Closing Leg has not been agreed and specified in a Posting in respect of such SFT.

"Party" means a party to the Clearing Member Agreement between Cboe Clear and a Clearing Member.

"Person" means any individual, legal entity, corporation, partnership, association or entity as the context admits or requires.

"Platform" means any system that facilitates or provides execution or matching of Trades, which system is not a regulated market, multilateral trading facility or other trading venue within the scope of MiFID;

"Pledge-Back Lender" means a Special Clearing Member who will transfer Loaned Securities to Cboe Clear and to whom Cboe Clear will transfer RQV Assets, under the condition that the Pledge-Back Lender grants Security over such RQV Assets to Cboe Clear.

"Pledgee Lender" means a Special Clearing Member that transfers Loaned Securities to Cboe Clear in its capacity as Lender and is granted Security over RQV Assets by Cboe Clear.

"Pledgee Lender Security Agreement" means the security agreement entered into by Cboe Clear pursuant to which Cboe Clear grants Security over RQV Assets in favour of the Security Agent appointed by one of more Special Clearing Members in accordance with article 6.6.1 of chapter 3.

"Position" means:

- a) in relation to Securities Clearing, a Trade Leg; and
- b) in relation to SFT Clearing, a single SFT.

"Position Account" means an account in the name of Clearing Member on the books and records of Cboe Clear to which Cboe Clear registers Positions between Cboe Clear and Clearing Member.

"Posting" means:

- a) in relation to Securities Clearing, a message from a Trading Venue or from (or on behalf of) Clearing Member to Cboe Clear in the format and with the information as required by Cboe Clear as specified in Regulation Posting; and
- b) in relation to SFT Clearing, a message (i) from a Clearing Member that has received permission to post such a message or (ii) from an SFT Posting Provider in each case to Cboe Clear and in the format and with the information as required by Cboe Clear as specified in Regulation Posting.

"Preventative Settlement" means the procedures covered under Articles 58-96 of Book 3 (Preventative Settlement) of the Kuwait Bankruptcy Law.

"Rate" means the sum payable by Borrower or Cboe Clear (acting as borrower) in respect of an SFT, which shall be calculated by applying the percentage specified as the rate in the Posting in respect of the Trade related to such SFT to the daily Value of the Loaned Securities in respect of such SFT.

"Reallocation" means the transfer of all or part of an SFT from a Special Clearing Member to another Special Clearing Member.

"Rebate" means the sum payable by Lender or Cboe Clear (acting as lender) in respect of an SFT, which shall be calculated by applying the percentage specified as the rebate in the Posting in respect of the Trade related to such SFT to the daily Value of the RQV Assets (to the extent the RQV Assets are in the form of cash) in respect of such SFT.

"Recall", "to Recall" means the termination of the whole or a part of an SFT and its Related SFT, as requested by the Lender.

"Record Date" means, in respect of a security, the date on which the holders of such security are established for the purposes of determining which holders will be entitled to the next relevant Corporate Action in respect of such security.

"Recovery DF Cash Call" has the meaning as set out in article 17.1(a) of chapter 1.

"Recovery Liquidity Cash Call" has the meaning as set out in article 17.1(b) of chapter 1.

"Recovery Plan" means the recovery plan of Cboe Clear in accordance with EU Regulation R&R.

"Regulation" means any document issued as such by Cboe Clear in accordance with article 3.4 of chapter 1. A list of the current Regulations is set out in appendix 1 to this Clearing Rule Book.

"Regulation Trade Refusal" means Regulation Posting.

"Related SFT" means in respect of an SFT between Cboe Clear and a Borrower, the SFT between Cboe Clear and a Lender that originates from the same Trade and vice versa.

"Resolution Action" means the exercise of any Resolution Powers by the Resolution Authority.

"Resolution Authority" means the resolution authority designated by the government of the Netherlands under EU Regulation R&R for Cboe Clear.

"Resolution DF Cash Call" has the meaning as set out in article 18(b) of chapter 1.

"Resolution Powers" means any action in respect of the assets, contracts, rights, obligations and liabilities of a Clearing Member existing from time to time under, and exercised in compliance with, any law or regulation in effect in The Netherlands, relating to EU Regulation R&R and including the application of articles 28, 32, 55, 56 and 57 of EU Regulation R&R.

"Restructuring" means the procedures covered under Articles 97-130 of Book 4 (Restructuring) of the Kuwait Bankruptcy Law.

"Return", "to Return" means the termination of the whole or a part of an SFT and its Related SFT, as requested by the Borrower.

"RQV" means, in respect of an SFT, the Value of the RQV Assets required to be transferred by Borrower to Cboe Clear (as lender) or by Cboe Clear (as borrower) to Lender (as applicable) at any time, being the Value of the Loaned Securities (as determined by Cboe Clear), multiplied by the RQV Ratio.

"RQV Assets" means Approved RQV Currencies and/or Approved RQV Securities specified as such in the Posting in respect of a Trade that are agreed to be transferred or that have been transferred pursuant to an SFT.

"RQV Excess" means, as of any time in respect of an SFT and the Related SFT, the amount by which the Value of the RQV Assets transferred or pledged (as applicable) to Lender or Cboe Clear (in its capacity as lender), as applicable (in respect of which Equivalent RQV Assets have not been transferred to Borrower or Cboe Clear (in its capacity as borrower)) exceeds the RQV required to be delivered in respect of such SFT and Related SFT, as determined by Cboe Clear.

"RQV Ratio" means, at any time in respect of an SFT and the Related SFT, the percentage by which the Value of the Loaned Securities will be multiplied in order to determine the RQV in respect of such SFT and Related SFT which percentage shall be specified in the Posting for the relevant Trade.

"RQV Schedule" means an annex to Regulation RQV that specifies one or more pools of Approved RQV Currencies and/or Approved RQV Securities that can be provided as RQV Assets.

"RQV Shortfall" means, as of any time in respect of an SFT and the Related SFT, the amount by which the RQV required to be delivered in respect of such SFT and Related SFT, as determined by Cboe Clear, exceeds the Value of the RQV Assets transferred or pledged (as applicable) to Lender or Cboe Clear (in its capacity as lender), as applicable (in respect of which Equivalent RQV Assets have not been transferred to Borrower or Cboe Clear (in its capacity as borrower)).

"Securities Clearing" means the services (as set out in chapter 2 of this Clearing Rule Book) of Cboe Clear in relation to Securities Transactions.

"Securities Trade" means a Trade in respect of Securities Clearing.

"Securities Transaction" means a spot transaction for the purchase and sale of one or more securities (including exchange traded funds, exchange traded notes, exchange traded commodities, and other exchange traded products) against money.

"Security" means a mortgage, charge, pledge, lien or other security interest and in general any right in rem created for the purpose of granting security securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Security Agent" means the entity appointed to be the pledgee in respect of the pledge over:

- a) an Omnibus RQV Account for the benefit of one or more Pledgee Lenders; or
- b) an account of Cboe Clear for the benefit of one or more Pledge-Back Lender,

in each case, who shall be notified to Cboe Clear by each such Lender as part of the application and acceptance of such Lender as a Clearing Member.

"Security Agency Agreement" means an agreement between one or more Pledgee Lenders and a Security Agent as specified in article 1.5 of chapter 3.

"Settlement Date" means the date on which the settlement of a Position or, in respect of an SFT, the Opening Leg or the Closing Leg, is to take place pursuant to the Clearing Rules.

"Settlement Exposure Add-on" is the collateral that has to be provided or that has been provided (as the context requires) by Clearing Member as specified in Regulation Liquidity Measures.

"Settlement Exposure Add-on Account" means the account opened in the administration of Cboe Clear in the name of Clearing Member, to keep record of the Settlement Exposure Add-on received by Cboe Clear from Clearing Member.

"Settlement Finality Directive" means Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

"Settlement Prefunding" is the collateral that has to be provided or that has been provided (as the context requires) by Clearing Member as specified in Regulation Liquidity Measures.

"Settlement Prefunding Account" means the account opened on the books and records of Cboe Clear in the name of Clearing Member, to record the Settlement Prefunding received by Cboe Clear from Clearing Member.

"SFT" means either:

- a) a transaction pursuant to which the Lender transfers Loaned Securities to Cboe Clear on the Settlement Date for the Opening Leg against the transfer of RQV Assets by Cboe Clear to the Lender (or the grant of Security over such RQV Assets by Cboe Clear), with a simultaneous agreement by Cboe Clear to transfer Equivalent Loaned Securities to the Lender on the Settlement Date for the Closing Leg against the transfer to Cboe Clear by the Lender of Equivalent RQV Assets (or the release of Security over the RQV Assets); or
- b) a transaction pursuant to which Cboe Clear transfers Loaned Securities to Borrower on the Settlement Date for the Opening Leg against the transfer of RQV Assets by Borrower to Cboe Clear, with a simultaneous agreement by Borrower to transfer Equivalent Loaned Securities to Cboe Clear on the Settlement Date for the Closing Leg against the transfer to Borrower by Cboe Clear of Equivalent RQV Assets.

"SFT Clearing" means the services (as set out in chapter 3 of this Clearing Rule Book) provided by Cboe Clear in relation to SFT.

"SFT Lifecycle Event" means, in respect of an SFT, a Recall, a Return, an amendment of the Rate, Rebate or term applicable to an SFT, the reallocation of an SFT by a Pledgee Lender or Pledge-Back Lender or the substitution of RQV Assets.

"SFT Posting Provider" means any service provider that has been approved by Cboe Clear to send Postings to Cboe Clear in relation to SFTs on behalf of Clearing Members, and which is listed in Regulation Posting.

"SFTR Information Statement" means the information statement published under this name on the website of Cboe Clear.

"SSI" means standard settlement instructions.

"Special Clearing Member" means, in relation to SFT Clearing only, a Clearing Member that has been accepted as such by Cboe Clear.

"Special Clearing Participant" means Special Clearing Member.

"Standard Clearing Member" means, in relation to SFT Clearing only, a Clearing Member that is not a Special Clearing Member.

"Standard Clearing Participant" means Standard Clearing Member.

"Statement of Authority" means a statement by Clearing Member in the form as set out in Regulation Statement of Authority, that it authorises a specified Trading Participant to submit Trades in the name of that Clearing Member.

"Termination Date" means the close of business of the third Clearing Day following Cboe Clear's receipt of the Notice of Termination or such later date as specified in the Notice of Termination.

"TPCA" means a third party that has been accepted by Cboe Clear for the custody of RQV Assets in the form of securities and the performance of collateral custody services in respect of the same.

"Trade" means a transaction or matched orders, as expressed with the details that are submitted to Cboe Clear in a Posting for the account of one or more Clearing Members.

"Trade Date" means the day on which a Clearing Member enters into a Trade.

"Trade Leg" means, in respect of a Securities Transaction, the position between Cboe Clear and a Clearing Member that arises pursuant to the Acceptance by Cboe Clear of a Trade.

"Trading Participant" means any party which has been admitted as a broker and/or dealer by a Trading Venue.

"Trade Validation System" means a system of Cboe Clear where Postings are received, validated and accepted for clearing.

"Trading Venue" means any regulated market, multilateral trading facility or other system that facilitates or provides execution or matching of Trades.

"Transfer Time" means the time specified by Cboe Clear at which the transfer of the Trade Leg from the sending Clearing Member to the receiving Clearing Member takes place.

"Value" means:

- a) in respect of Loaned Securities, the amount in EUR (to the extent applicable, converted into EUR using the foreign exchange rate selected by Cboe Clear), calculated by Cboe Clear by multiplying the quantity of securities of each individual ISIN-code of the relevant securities against the latest officially published end of day closing price on the relevant trading venue for such securities;
- b) in respect of RQV Assets in the form of securities, the value determined by the TPCA in accordance with its models and valuation sources; and
- c) in respect of RQV Assets in the form of cash, the amount of the relevant currency, converted into EUR (to the extent the relevant cash is not denominated in EUR) by Cboe Clear using the foreign exchange rate selected by Cboe Clear.

"Variation Margin" means the Margin collected or paid out by Cboe Clear taking into account current exposures resulting from actual changes in market prices. For the avoidance of doubt, Variation Margin does not include RQV Assets and vice versa.

"Wft" means the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

## 1.2. Interpretation

- 1.2.1. References to the Clearing Rules, any law, regulation or directive include (1) any subordinate legislation or regulation made thereunder, (2) any amendment or modification thereto or to any rules or regulations issued thereunder, and (3) any replacement, restatement or consolidation (with or without modification) or extension thereof.
- 1.2.2. References to articles and chapters are to articles and chapters of this Clearing Rule Book, unless indicated otherwise.
- 1.2.3. Titles or article headings are for ease of reference only.
- 1.2.4. Words and expressions defined or used herein imparting the singular shall where the context permits or requires, include the plural and vice versa.
- 1.2.5. Where a reference is made in the Clearing Rules to a time, this shall be CE(S)T, unless indicated otherwise.
- 1.2.6. Capitalised terms used in this Clearing Rule Book and not defined in a Regulation or other communication of Cboe Clear shall in such Regulation or other communication have the meaning as set out in this Clearing Rule Book.
- 1.2.7. Legal terms and concepts are used and described in the Clearing Rules in the English language but must be interpreted in accordance with the prevailing terms and concepts of Netherlands law.
- 1.2.8. Where Cboe Clear will, pursuant to the Clearing Rules, convert an amount expressed in one currency to an amount expressed in another currency, Cboe Clear shall use the relevant exchange rate for such conversion found on Refinitiv at the time of making such conversion or, if Refinitiv is not available at such time, Cboe Clear shall use such other source of the exchange rate as it determines (acting reasonably).

## 2. Application procedure and acceptance of Clearing Members

### 2.1. Application procedure

The procedure and requirements for the application and acceptance of a new Clearing Member and for the application and acceptance of a Clearing Member that wishes to access an additional Clearing Service, together with the items to be included in such application are specified in Regulation Clearing Members.

### 2.2. Clearing Service

Acceptance by Cboe Clear of a Clearing Member will be on a per Clearing Service basis and each Clearing Member may request access to a Clearing Service by delivering to Cboe Clear a completed application form in respect of such Clearing Service.

### 2.3. Conditions and limitations

As part of the approval of an application, Cboe Clear may impose conditions or limitations on the exercise of certain rights by Clearing Members under the Clearing Rules provided that such conditions or limitations are imposed without discrimination.

#### 2.4. Refusal

Cboe Clear will in principle accept each applicant that fulfils the criteria as specified in Regulation Clearing Members as Clearing Member. Cboe Clear may however refuse such acceptance on the basis of compelling reasons (as determined by Cboe Clear in its discretion), such as a situation whereby the acceptance could adversely affect the operation or reputation of Cboe Clear, or when the applicant does not comply with its obligations pursuant to its membership of another central counterparty or central securities depository (as determined by Cboe Clear on the basis of the information available or known to it). Such a refusal to accept an applicant as Clearing Member, will be justified in writing to the applicant and shall be based on a comprehensive risk analysis.

#### 2.5. Use of Clearing Services

Clearing Member must commence use of the relevant Clearing Service within six months after Parties have entered into the Clearing Member Agreement unless Cboe Clear grants an extension. Failing this, the acceptance decision shall be automatically revoked, and the Clearing Member Agreement deemed terminated.

### **3. Contractual relations**

#### 3.1. Clearing Member Agreement

By executing the Clearing Member Adherence Agreement, Parties enter into the Clearing Member Agreement.

#### 3.2. Single Agreement

The Clearing Member Agreement between Cboe Clear and Clearing Member together with all Positions in a single Position Account relating to that Clearing Member together form one single agreement between Cboe Clear and that Clearing Member.

#### 3.3. Hierarchy

In the event of a conflict or contradiction between a provision of chapter 1 and a provision of chapter 2 or chapter 3 of this Clearing Rule Book, the applicable provision of chapter 1 will prevail. In the event of a conflict or contradiction between a provision of the Clearing Rule Book and a Regulation, the provision in the Clearing Rule Book will prevail. In the event of a conflict or contradiction between a provision of the Clearing Rules and a provision of a Clearing Member's Clearing Member Adherence Agreement, the provision in the Clearing Rules will prevail.

#### 3.4. Amendments to the Clearing Rules

3.4.1. Cboe Clear is at all times entitled to amend the Clearing Rules. Cboe Clear shall inform its Clearing Members, or, to the extent the amendment only impacts a certain Clearing Service, the Clearing Members of that Clearing Service, of each proposed change providing explanation regarding its intended purpose and effect.

3.4.2. Subject to article 3.4.3 of this chapter 1, Clearing Members shall be invited to contribute to a consultation to a proposed change to the Clearing Rule Book or Regulation Clearing Members and may make their opinions known to Cboe Clear on the change. The consultation period shall be at least thirty

(30) calendar days. Administrative or editorial changes or other non-substantial changes shall not be subject to consultation.

3.4.3. Cboe Clear is not under any obligation to consult the Clearing Members and/or to notify the Clearing Members within the timeframe set out above when the change is needed because of changes in laws, regulations or other regulatory requirements or as a matter of urgency to protect the interests of Cboe Clear or the Clearing Members. However, Cboe Clear shall make best efforts to notify or consult the Clearing Members to the extent permitted by the circumstances.

3.4.4. Cboe Clear shall give due consideration to opinions received from Clearing Members before adopting the amended rules. Cboe Clear shall notify the Clearing Members of any material amendment to the proposed changes which Cboe Clear makes in respect of such comments.

### 3.5. Publication of the Clearing Rules

Cboe Clear shall publish the Clearing Rules and other decisions and documents of general application to its Clearing Members or to the relevant category of Clearing Members on its website. Cboe Clear will notify the relevant Clearing Members of any such publication by email. Except in cases of emergency, such publications shall, without prejudice to article 3.4 of this chapter 1, become effective and binding on the Clearing Members on the Clearing Day following the day of publication or at a later date as specified in such publication.

### 3.6. Applicable version

Cboe Clear shall ensure that the applicable version of the Clearing Rules will, at all times, be available on the website of Cboe Clear (other than if unavailable due to a malfunction, breakdown or similar failure in the website (including any linkage via a third party system) or in Cboe Clear's computer systems, in which case Cboe Clear will take all steps necessary to rectify such unavailability).

### 3.7. Settlement Finality

3.7.1. The contractual relationship between Cboe Clear and the Clearing Members, pursuant to which Cboe Clear provides its Clearing Services has been designated by the Minister of Finance of the Netherlands as a 'system' as defined in and pursuant to the Settlement Finality Directive and the Netherlands Bankruptcy Act (*Faillissementswet*) and has been notified to ESMA for that purpose.

3.7.2. If the designation as a system pursuant to the Settlement Finality Directive is withdrawn, Cboe Clear will inform the Clearing Members as soon as reasonably possible.

3.7.3. Pursuant to the designation described under article 3.7.1 of this chapter 1, either of the events below qualifies as an entry into the system and is irrevocable within the meaning of article 212b of the Netherlands Bankruptcy Act from the moment it occurs:

- a) in respect of Postings for Securities Clearing, the receipt of such Postings in the Trade Validation System; and
- b) in respect of Postings for SFT Clearing, the receipt of the matching Postings in the Trade Validation System for SFT Clearing.

## 4. Continuing requirements for Clearing Members

### 4.1 Obligations pursuant to Regulation Clearing Members

Clearing Member must on a continuing basis comply with all requirements and undertakings that are specified in Regulation Clearing Members to apply to it and shall promptly inform Cboe Clear of any changes in relation thereto. Cboe Clear is at all times entitled to review the compliance of Clearing Member with these requirements and Clearing Member will provide evidence of its compliance with these requirements at the first request of Cboe Clear and in the form and substance as required by Cboe Clear.

### 4.2 Information about Clearing Member

4.2.1 Clearing Member warrants that the information supplied by Clearing Member in the application procedure was and is true and accurate on a continuing basis. Clearing Member shall inform Cboe Clear in advance as soon as it reasonably expects any change in such information and will provide any changed documents and information to Cboe Clear as soon as it is available.

4.2.2 Clearing Member shall inform Cboe Clear as soon as it becomes aware, of any facts and circumstances concerning Clearing Member to occur, which may materially affect the exercise of its duties or the orderly conduct of its activities as a Clearing Member, or which could have a significant impact on its financial position, reliability, control, reputation, license or operations.

### 4.3 Know your customer

Clearing Member shall promptly, upon the request of Cboe Clear, supply the documentation and other evidence as Cboe Clear may reasonably request in order for Cboe Clear to carry out "know your customer" or other similar checks under applicable law in respect of Clearing Member or any affiliate or Client of Clearing Member.

### 4.4 Financial and Other Information of Clearing Member

4.4.1 Clearing Member must send or provide access to the following information of Clearing Member to Cboe Clear:

- a) annually, no later than two weeks after they become available, audited financial statements – balance sheet, profit and loss account, and notes to the annual financial statements;
- b) where applicable, audited consolidated financial statements - balance sheet, profit and loss account, and notes to the financial statements; and
- c) at such intervals as Clearing Member is required by its Competent Authority or applicable law to prepare such documents:
  - i. its interim balance sheet and interim profit and loss account;
  - ii. any documents concerning prudential supervision of market risks prepared on a consolidated or unconsolidated basis; and

- iii. any statements concerning its core capital (tier 1) and supplementary capital (tier 2) as defined by said authority or regulations.

4.4.2 Each Clearing Member shall provide an English translation of any document provided pursuant to article 4.4.1 of this chapter 1 where such document is not in the Dutch or English language.

4.4.3 Clearing Members shall respond within the deadlines stipulated by Cboe Clear to any due diligence queries or questionnaires made or requested by Cboe Clear.

#### 4.5 Clearing Member as principal

Pursuant to the relationship between Cboe Clear and Clearing Member, Clearing Member shall be a principal to any Position and, other than if a Special Clearing Member, will transfer Margin in respect of each Position on its own account as principal, disregarding whether such Position is registered to a House Position Account, an Individual Client Position Account or an Omnibus Client Position Account or, other than if a Special Clearing Member, such Margin is registered to a House Margin Account, an Individual Client Margin Account or an Omnibus Client Margin Account and disregarding whether Clearing Member holds such Position or Margin for the account of its Client(s), a Trading Participant or itself. Cboe Clear shall not assume any responsibility towards any of the Clients of Clearing Member and will not have a relationship with any such Client pursuant to the Clearing Member Agreement between Cboe Clear and Clearing Member.

#### 4.6 On-site inspections, location of offices

As far as permitted by applicable laws and regulations, Cboe Clear may carry out on-site inspections at the offices of Clearing Member in order for Cboe Clear to determine whether Clearing Member is compliant with the Clearing Member Agreement. Clearing Member shall locate the human and technical resources needed to carry on its clearing and back-office activities only in locations in which on-site inspections by or on behalf of Cboe Clear are practicable and permitted by applicable laws and regulations.

#### 4.7 Third parties

Where Cboe Clear has granted written consent for a Clearing Member to make use of third parties for the performance of all or part of a Clearing Member's clearing activities:

- a) such arrangements shall not relieve such Clearing Member of any of its obligations under the Clearing Rules; and
- b) such Clearing Member shall arrange that, prior to contracting with a third party, such third party will authorise Cboe Clear and any person acting on behalf of Cboe Clear to request the same information from such third party as may be required from Clearing Member pursuant to the Clearing Rules and to perform inspections at the premises in which the clearing related activities actually take place, whether such premises belong to Clearing Member or the third party.

#### 4.8 Clearing related data

Clearing Member is required to keep the data regarding its clearing activities for five years or such longer period as is necessary to ensure compliance with the Clearing Rules and the laws and regulations that apply to Clearing Member.

#### 4.9 Reporting

Each Clearing Day, Cboe Clear shall inform Clearing Member of each Trade Accepted on that Clearing Day, the Positions that are registered in its name per Position Account and the required and delivered DF Contribution, IF Contribution and Margin, and, if such Clearing Member is a Standard Clearing Member or a Special Clearing Member, the RQV Assets transferred or pledged to it. Clearing Member shall check such information upon receipt and promptly inform Cboe Clear if Clearing Member detects an error.

#### 4.10 Instructions

Each Clearing Member hereby agrees and confirms that:

- a) It shall provide Cboe Clear with the names of each person (including any Agent) authorised to represent and bind such Clearing Member (each such person an "Authorised Representative");
- b) Cboe Clear may rely on the information provided to it by each Authorised Representative of such Clearing Member;
- c) Cboe Clear may act upon each instruction it reasonably believes it has received from any Authorised Representative; and
- d) such Clearing Member shall be liable for all loss, cost and other liability associated with any incorrect or late instructions given by such Authorised Representative to Cboe Clear.

#### 4.11 Settlement authority

Clearing Member shall authorise Cboe Clear in a form acceptable to Cboe Clear, to provide delivery and/or payment instructions in relation to the payments and deliveries to be made by Clearing Member (including in relation to Loaned Securities, RQV Assets, Margin, DF Contribution and IF Contribution), in the name of Clearing Member or of the settlement and/or payment agent of Clearing Member, as the case may be. Clearing Member shall at all times procure that the cash or securities necessary for a payment or delivery to be made by Clearing Member under the Clearing Member Agreement are timely available in the account(s) over which Cboe Clear has a power of attorney.

#### 4.12 Suspension, set-off

Unless explicitly agreed upon otherwise in the Clearing Member Agreement, Clearing Member will not be allowed to suspend (*opschorten*), withhold performance or set off any of its delivery or payment obligations towards Cboe Clear.

#### 4.13 Transfer and encumbrance

The rights of Clearing Member pursuant to the Clearing Member Agreement cannot be transferred or provided as Security (by means of a pledge or lien or otherwise) to any party other than Cboe Clear in accordance with article 3:83(2) of the Dutch Civil Code, without the prior written approval thereto from Cboe Clear.

#### 4.14 Warranties

Clearing Member hereby warrants and undertakes the following to Cboe Clear on a continuing basis:

- a) Clearing Member is not restricted in any way by law or under the terms of its constitutional documents, to enter into the Clearing Member Agreement and any of the transactions envisaged thereunder;
- b) Clearing Member is duly incorporated and authorised to enter into and perform its duties and obligations under the Clearing Member Agreement; and
- c) Clearing Member is entitled to provide the Security that Clearing Member is required to provide under the Clearing Member Agreement and to provide full ownership of the cash and securities that it is required to provide or agrees to provide under and in accordance to the Clearing Member Agreement, whether for settlement purposes or as Security in the form of title transfer collateral.

## 5. Clearing Services

### 5.1 Clearing Services

Cboe Clear will provide the Clearing Services to Clearing Member for the services in respect of which Clearing Member has been accepted.

### 5.2 Clearing Days, notices to Cboe Clear

Cboe Clear is open for business and provides its services, solely during the Opening Hours on each Clearing Day. Any notices that are sent to Cboe Clear and that are received by Cboe Clear on a day or time when it is not open for business or after 17:00 CE(S)T on any day, will be deemed to be received by Cboe Clear on the first following Clearing Day.

### 5.3 Clearing Member availability

Clearing Member will procure that, during Opening Hours on every Clearing Day, sufficient persons competent to act on behalf of Clearing Member will be accessible to Cboe Clear.

### 5.4 Cboe Clear availability

Cboe Clear will procure that, during Opening Hours on every Clearing Day, sufficient persons competent to act on behalf of Cboe Clear will be accessible to Clearing Member.

### 5.5 Position limits

Cboe Clear may set Position limits and limits on risk exposure in respect of Clearing Member. If any such limit is breached, Cboe Clear may:

- a) increase the required amount of Margin in respect of the Positions of Clearing Member; and/or
- b) instruct Clearing Member to (and Clearing Members shall on receipt of such instruction) reduce the total value of its Positions by such amount and within the time limit stipulated by Cboe Clear.

## 5.6 Measures and instructions

Cboe Clear may take any measure and provide any instruction that it reasonably deems necessary for the proper and safe functioning of Cboe Clear as central counterparty.

## 5.7 Cash settlement

If Cboe Clear (acting in its discretion) determines that Cboe Clear or a Clearing Member is unable to deliver or take delivery of certain securities due to market conditions, Cboe Clear may settle the relevant delivery obligations or remaining parts thereof in cash. The basis for a cash settlement will be the latest available closing price of the relevant Trading Venue for the securities. Cash settlement shall take place in the currency specified by Cboe Clear.

## 5.8 Auction

5.8.1 After Cboe Clear has declared a Clearing Member in Default, Cboe Clear will be entitled to organise an auction in order to hedge or replace Positions between Cboe Clear and the Defaulting Clearing Member. It is mandatory for each Clearing Member (other than any Special Clearing Member) to participate in such auction in relation to the Clearing Service(s) in which a Clearing Member is active. For this purpose, Clearing Members active in SFT Clearing are deemed to always be active in both SFT Clearing and Securities Clearing. As early as possible before the start of the auction, Cboe Clear will notify Clearing Member of all details, including process description, lots and agenda, that are relevant for Clearing Member in order to participate in the auction, each such detailed as determined by Cboe Clear in accordance with Regulation Securities Default Handling. Any information provided by Cboe Clear in relation to the auction, shall be treated as strictly confidential by Clearing Member and may not be used for purposes other than the participation in the auction.

5.8.2 Each Clearing Member shall demonstrate (to the satisfaction of Cboe Clear) their ability to assess and provide a Bid on an auction portfolio within a specified period of time.

5.8.3 If an auction is considered a failed auction, Cboe Clear may take such actions it may determine set out in articles 16 (*Liquidity Measures*) and 17 (*Recovery Measures*) of this chapter 1.

## 5.9 Fire drills

Each Clearing Member (other than any Special Clearing Member) shall participate in, and make available sufficient staff for, any fire drill or default simulation exercises.

# 6. Margin

## 6.1 Margin

- 6.1.1 Special Clearing Members shall not be required to provide Margin to Cboe Clear. Other than this article 6.1.1, this article 6 shall not apply to Special Clearing Members.
- 6.1.2 Each Clearing Member shall provide Margin to Cboe Clear, in accordance with this article 6 and Regulation Margin.
- 6.1.3 Margin will be calculated and required on a per Position Account basis. Each Clearing Member's Initial Margin and Variation Margin obligations (to the extent applicable) will be calculated in accordance with Regulation Margin. The procedures and requirements relating to the provision of Margin and the return of excess Margin are specified in Regulation Collateral. The currencies and securities that are eligible to be provided as Margin, together with applicable haircuts and concentration limits are specified in Regulation Acceptable Collateral.

## 6.2 Daily use of Margin

In addition to any other right of Cboe Clear to use Margin pursuant to the Rules, Cboe Clear is entitled to make use of Margin for liquidity purposes in accordance with the relevant provisions of EMIR.

## 6.3 Margin requirement

- 6.3.1 On each Clearing Day, Cboe Clear will calculate the required amount of Margin in relation to each Position Account of Clearing Member and if applicable, call Margin from Clearing Member.
- 6.3.2 At any time during the day, Cboe Clear (acting in its discretion) may calculate the intra-day Margin requirement in relation to one or more Position Accounts of Clearing Member and, if Cboe Clear deems such necessary, call intra-day Margin from Clearing Member. Cboe Clear shall inform each Clearing Member of the amount of Margin they shall be required to provide in order to satisfy the relevant intra-day margin call.

## 6.4 Additional Margin

Cboe Clear at all times has the right to require additional Margin as it reasonably deems necessary. This can be on an individual basis, based on specific information relating to Clearing Member or based on developments in the market, on the nature of the relevant Positions or otherwise. Cboe Clear shall inform each Clearing Member of the amount of Margin they shall be required to provide in order to satisfy the relevant additional margin call.

## 6.5 Delivery of Margin

Once Cboe Clear has communicated the required amount of Margin to Clearing Member, the required Margin must immediately be delivered to Cboe Clear in accordance with Regulation Margin with full title and free from any encumbrances, in the form of the currencies and/or securities specified in Regulation Acceptable Collateral and to the account specified in Regulation Settlement.

## 6.6 Cash or specific securities

Cboe Clear may determine that a minimum percentage of the Margin provided by a Clearing Member shall comprise certain (i) cash and/or (ii) specific (types of) securities, each as set out in Regulation Acceptable Collateral. Cboe Clear may amend these percentages by giving five Clearing Days prior written notice.

#### 6.7 Refusal of Margin, alternative Margin

Cboe Clear may (in its discretion) exclude or refuse certain Margin. If Cboe Clear refuses Margin provided by Clearing Member, Clearing Member shall promptly provide alternative Margin.

#### 6.8 Margin in the form of cash

Margin that Cboe Clear receives from Clearing Member in the form of cash, may be invested by Cboe Clear in accordance with the Cboe Clear investment policy.

#### 6.9 Margin in the form of securities

If and insofar as Clearing Member provides Margin in the form of securities, the value of the Margin received by Cboe Clear from Clearing Member and the required amount of Margin, will be calculated by Cboe Clear, taking the current value of such securities into account.

#### 6.10 Combination of Position Accounts

At the request of Clearing Member, Cboe Clear may combine the Securities Clearing House Position Account and the SFT Clearing House Position Account of Clearing Member into one single Position Account for the purpose of the calculation and requirement of the net amount of Margin required from such Clearing Member across Securities Clearing and SFT Clearing.

#### 6.11 Margin in relation to SFT Positions

Both Initial Margin and Variation Margin in relation to SFTs, will only be calculated and required in respect of such SFT from the time that the Opening Leg is settled to the time when the Closing Leg has settled.

#### 6.12 RQV Assets

RQV Assets do not constitute Margin and vice versa and the terms and conditions of this article 6 do not apply to RQV Assets.

## **7. Default Fund**

### 7.1 Default Fund

Cboe Clear has established and shall maintain a Default Fund. DF Contributions and the assets of the Default Fund shall be held by Cboe Clear in its own name and capacity and shall be the sole property of Cboe Clear.

### 7.2 DF Contribution

The Default Fund will be funded with the DF Contribution provided by Clearing Members (other than Special Clearing Members). Cboe Clear will on a daily basis calculate the required amount of the DF Contribution Value of a Clearing Member and if the required amount of the DF Contribution Value of the Clearing Member is higher than the DF Contribution Value of the Clearing Member, call DF Contribution from the Clearing Member. The method by which Cboe Clear will calculate the required DF Contribution Value is set out in Regulation Default Fund. The currencies and securities that are eligible to be provided as DF Contribution, together with applicable haircuts and concentration limits are specified in Regulation Acceptable Collateral. The procedures and requirements relating to the provision of DF Contribution and the return of excess DF Contribution Value, are specified in Regulation Collateral.

### 7.3 DF Contribution in the form of cash

DF Contribution that Cboe Clear receives from Clearing Member in the form of cash, may be invested by Cboe Clear in accordance with its investment policy.

#### 7.4 Default Handling Period and Cooling-Off Period

7.4.1 During each Default Handling Period and each Cooling-Off Period:

- a) the provisions of article 7.2 of this chapter 1 shall not apply; and
- b) requirements to provide or return DF Contributions shall be subject to the terms of article 7.8, article 7.9 and/or article 17.1(a) of this chapter 1.

7.4.2 Notwithstanding article 7.4.1 of this chapter 1, if, during any Default Handling Period or any Cooling-Off Period, the DF Contribution Value of a Clearing Member is or becomes less than the required amount of DF Contribution that Clearing Member is required to provide pursuant to Regulation Default Fund, such Clearing Member shall promptly, upon Notice from Cboe Clear, provide additional DF Contribution to Cboe Clear in such an amount as is necessary to cure such shortfall.

#### 7.5 Use of the Default Fund

Cboe Clear is entitled to make use of assets of the Default Fund for liquidity purposes or otherwise, which does not constitute an application of the Default Fund and may, but does not have to be, in relation to the handling of the default of a Clearing Member. Such use by Cboe Clear of assets of the Default Fund will not reduce the DF Contribution Value of any Clearing Member (or, for the avoidance of doubt, the amount of assets Cboe Clear is required to return to that Clearing Member after full settlement of all Positions, fees and costs between Cboe Clear and the Clearing Member).

#### 7.6 Application of Default Fund

Cboe Clear may only apply the Default Fund in accordance with and for the purposes as specified in the Clearing Rules.

#### 7.7 Attribution of applied amounts of the Default Fund

7.7.1 In the situation where Cboe Clear instructs non-Defaulting Clearing Members to participate in an auction to enable Cboe Clear to enter into Positions replacing the Positions of the Defaulting Clearing Member, losses of Cboe Clear pursuant to such auction, that Cboe Clear recovers from the Default Fund, will (after having been attributed by Cboe Clear to the DF Contribution Value of the Defaulting Clearing Member in accordance with article 14.10 of this chapter 1) be attributed by Cboe Clear to the DF Contribution Value of Clearing Members in the following order:

- a) first, to the DF Contribution Value of those non-Defaulting Clearing Members who did not Bid in the auction or who Bid in the auction, but whose Bids were not accepted by Cboe Clear. Losses will be attributed to the DF Contribution of each such non-defaulting Clearing Member *pro rata* to the value of such Clearing Member's DF Contribution Value in relation to the aggregate Contribution Value received by Cboe Clear from all Clearing Members;
- b) second, to the DF Contribution Value of each Clearing Member who

submitted a Bid below the winning Bid where:

- i. if the Attributable Loss of each such Clearing Member is less than or equal to its remaining DF Contribution Value, then Cboe Clear will, in respect of each such Clearing Member, attribute losses equal to the Attributable Loss applicable to such Clearing Member to its remaining DF Contribution Value; or
  - ii. if the Attributable Loss applicable to one or more such Clearing Members is greater than its remaining DF Contribution Value, Cboe Clear will attribute losses to all remaining DF Contribution Values of such Clearing Members only pro rata to the value of each such Clearing Member's DF Contribution Value in relation to the aggregate Contribution Value of all such Clearing Members;
- c) third, to the remaining DF Contribution Value of the non-defaulting Clearing Member who submitted the winning Bid, together with (where applicable) the remaining DF Contribution Values of any non-defaulting Clearing Member who submitted a Bid which was accepted by Cboe Clear and equal to, or greater than, the winning Bid. Losses will be attributed to the DF Contribution Value of each such non-defaulting Clearing Member *pro rata* according to the proportion that such Clearing Member's DF Contribution Value bears to the aggregate DF Contribution Value of: (i) the Clearing Member who submitted the winning Bid; (ii) any Clearing Members who submitted Bids (which were accepted by Cboe Clear) equal to such winning Bid and (iii) any Clearing Members who submitted Bids (which were accepted by Cboe Clear) greater than such winning Bid; and
- d) any remaining loss will be attributed pro rata to the remaining value of the DF Contribution Value of all Clearing Members.

7.7.2 For the purpose of this article 7.7, Securities Clearing and SFT Clearing together are deemed to be one single Clearing Service.

#### 7.8 Top-up of DF Contribution

If (whether after delivery of Additional DF Contribution in relation to the same Default of a Clearing Member or not) the whole or a part of the Default Fund is used in relation to the Default of a Clearing Member and not immediately reimbursed by the Defaulting Clearing Member, then each other Clearing Member shall at the first request of Cboe Clear deliver an amount of DF Contribution equal to the amount of its DF Contribution Value that has been used, calculated in accordance with the share of its DF Contribution Value in the Default Fund immediately before the occurrence of the Default (or Defaults, in case more than one Clearing Member has been declared in Default) but not taking the DF Contribution Value of the Defaulting Clearing Member into account, to top-up the Default Fund. Any such top-up payment shall not be used to cover the losses of Cboe Clear in relation to the Default of the Clearing Member, which originally caused the deficiency that made the top-up payment necessary. Cboe Clear shall notify each Clearing Member of the deadline as to when such DF Contribution must be provided.

#### 7.9 Pro rata share after termination

On termination of the Clearing Member Agreement and after full settlement of all Positions, fees and costs between Clearing Member and Cboe Clear and no outstanding obligations being owned by Clearing Member to Cboe Clear, Clearing Member will be entitled to receive payment of cash or delivery of securities equal to its DF Contribution Value. Cboe Clear shall pay or deliver the required amount of cash or securities as soon as reasonably possible after the full settlement of such Positions, fees and costs. Cboe Clear may, acting reasonably, make such deductions from that amount as it deems necessary to cover for foreseeable future losses that may have to be covered from the Default Fund. If Cboe Clear makes a deduction, Cboe Clear will provide Clearing Member with the reason for such deduction. Cboe Clear will pay or deliver the amount of the deduction to Clearing Member promptly when the reason for such deduction no longer exists, as reasonably determined by Cboe Clear.

#### 7.10 Special Clearing Members

Special Clearing Members do not have to provide DF Contribution and the terms and conditions of this article 7 do not apply to Special Clearing Members.

## **8. Fees, costs and penalties**

### 8.1 Regulation Fees and Penalties

Clearing Members shall pay to Cboe Clear the costs, fees and penalties as set out in Regulation Fees and Penalties. The costs, fees and penalties (together with applicable VAT) to be paid by Clearing Member in relation to a calendar month will be invoiced on or before the day as set out in Regulation Fees and Penalties of the following calendar month by Cboe Clear in euro or any other currency as approved by Cboe Clear.

### 8.2 Investment Loss

8.2.1 Cboe Clear is entitled to recover from its Clearing Members Investment Losses incurred by Cboe Clear (subject to its obligation to hold capital in accordance with Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 with regard to regulatory technical standards on capital requirements for central counterparties).

8.2.2 Cboe Clear will allocate the Investment Loss related to Margin to Clearing Member, pro rata to the amount of Margin provided by Clearing Member in the form of cash divided by the aggregate amount of Margin received by Cboe Clear in the form of cash during the period that the Investment Loss arose. Cboe Clear will deduct the allocated amount from the amount of Margin provided by Clearing Member.

8.2.3 Cboe Clear will allocate the Investment Loss related to DF Contribution to Clearing Member, pro rata to the amount of DF Contribution provided by Clearing Member in the form of cash divided by the aggregate amount of DF Contribution received by Cboe Clear in the form of cash during the period that the Investment Loss arose. Cboe Clear will deduct the allocated amount from the DF Contribution Value of Clearing Member.

8.2.4 Cboe Clear will allocate the Investment Loss related to IF Contribution to Clearing Member, pro rata to the amount of IF Contribution provided by Clearing Member in the form of cash divided by the aggregate amount of IF Contribution received by Cboe Clear in the form of cash during the

8.2.5 period that the Investment Loss arose. Cboe Clear will deduct the allocated amount from the amount of IF Contribution provided by Clearing Member. If Cboe Clear recovers any Investment Loss after the exercise of its rights under this article 8.2, Cboe Clear shall distribute the net proceeds of such recovery pro rata to the amount paid by each Clearing Member.

8.3 Other costs

Costs that are due to Cboe Clear under the Clearing Member Agreement but that are not included in Regulation Fees and Penalties, will be separately invoiced by Cboe Clear.

## **9. Tax**

9.1 Tax deductions

Clearing Member shall make all payments and deliveries to Cboe Clear without any deduction or withholding for or on account of any tax or otherwise, unless such deduction or withholding is required by applicable law.

9.2 Gross up

If Clearing Member is required to make any deduction or withholding from a payment or delivery to be made by Clearing Member under the Clearing Member Agreement, Clearing Member shall:

- a) promptly inform Cboe Clear;
- b) procure the correct payment of the required deduction or withholding; and
- c) pay or deliver to Cboe Clear such additional amount as is necessary to procure that the amount actually received by Cboe Clear is equal to the amount that Cboe Clear would have received if no such deduction or withholding had been required.

## **10. Data and information**

10.1 Request for information

At the first request of Cboe Clear, Clearing Member will provide such information about itself and its provision of clearing services to Clients of Clearing Members as may reasonably be requested by Cboe Clear. Such information may include information about the structure, policies, processes, administration, services, service providers and direct and indirect Clients of Clearing Member.

10.2 Personal data

Parties agree that personal data that may be exchanged between Parties under or in connection with the Clearing Member Agreement, may, where such is necessary for a Party for the performance of its obligations under the Clearing Member Agreement be processed by either Party and be supplied to and processed by the third parties that a Party uses for the performance of its obligations under the Clearing Member Agreement. Personal data relating to Cboe Clear or Clearing Member may only be transferred to countries outside Europe where permitted by GDPR.

10.3 Competent Authorities

Where such is required, Cboe Clear may furnish any information relating to any Client, any Clearing Member and any Trading Participant to Competent Authorities.

#### 10.4 Third parties

Subject to applicable data protection laws and regulations, Cboe Clear may furnish any information relating to any Client, any Clearing Member or any Trading Participant to third parties as may be required or necessary for the provision of the Clearing Services.

#### 10.5 Group entities

Subject to applicable data protection laws and regulations, Cboe Clear may furnish information relating to Clearing Member and Clearing Member's use of Clearing Services to group entities or affiliates of Cboe Clear where such is necessary for purposes of planning, forecasting and efficient management. Such transfer of information is covered by an information sharing policy that precludes the sharing of sensitive commercial information.

#### 10.6 Confidentiality

Any information shared between Parties pursuant to or in connection with the Clearing Member Agreement that reasonably may be deemed of a confidential nature, shall be kept confidential by the recipient irrespective of whether it is stipulated to be confidential or not. This obligation shall not apply:

- a) to any information received by the recipient from another source which it would otherwise be free to disclose;
- b) to any information which is or becomes public knowledge otherwise than by reason of a breach of confidentiality by the recipient; and
- c) to the extent that the recipient is required to disclose information pursuant to any law or order of any government, court or Competent Authority.

#### 10.7 Use of information

Other than where permitted pursuant to this article 10 or where used by Cboe Clear in an anonymised form, any information shared between Parties pursuant to or in connection with the Clearing Member Agreement, may not be used by the recipient, other than for the purpose for which it has been shared.

## **11. Duty of care and liability of Cboe Clear**

### 11.1 Duty of care and limitation of liability

11.1.1 Cboe Clear shall act fairly and professionally, taking the interests of its Clearing Members into account and shall take all reasonable care in the provision of its Clearing Services.

11.1.2 For loss that occurs in respect of any obligation other than a delivery or payment obligation, the liability of Cboe Clear will in all circumstances be limited to loss that is the direct and foreseeable result of gross negligence (*'grove schuld'*) or intentional default (*'opzettelijke tekortkoming'*) that is attributable to Cboe Clear and will not include consequential loss suffered by Clearing Member nor loss that could have been mitigated by Clearing Member, such as loss that could have been avoided if Clearing Member

would have timely monitored the information received from Cboe Clear and promptly would have informed Cboe Clear of the error as required under article 4.9 of this chapter 1.

#### 11.2 Use of third parties

Cboe Clear shall take all reasonable care in the selection and monitoring of any third party that Cboe Clear makes use of in relation to its Clearing Services. Notwithstanding the limitation of liability agreed upon in article 11.1 of this chapter 1, in the event that any such third party has caused any loss or damage to Clearing Member and Cboe Clear has a stronger position to claim damages from that third party, Cboe Clear will reasonably endeavour to obtain compensation from the third party. Such reasonable endeavour will however not include an obligation to take legal proceedings via a court or otherwise. Cboe Clear accepts liability to Clearing Member for, at maximum, the amount that is actually recovered by Cboe Clear from that third party less the amount of Cboe Clear's own loss, costs or damage.

#### 11.3 Loss arising due to breach by a Clearing Member, performance failures and Force Majeure

11.3.1 In no circumstance shall Cboe Clear incur any liability for any breach of the Clearing Rules by a Clearing Member towards other Clearing Members. Cboe Clear shall not incur any liability for any breach of a Clearing Member's obligation, under the relevant applicable law, to segregate clients and non-clients assets, notably in securities settlement systems or CSDs.

11.3.2 Other than any indirect or consequential loss, Cboe Clear shall be liable for damage arising from non-compliance with its delivery or payment obligations under the Clearing Rules in respect of Positions it has entered into with Clearing Members unless such non-compliance is the result of a Force Majeure event or due to the failure of Trading Venues, platforms, custodians, (central) securities depositaries, security settlement services, TPCAs and other third parties. In the event of the occurrence of Force Majeure or the danger of Force Majeure occurring, Cboe Clear or Clearing Members, as the case may be, will take such measures as may be reasonably demanded of them in order to limit as much as possible the detrimental consequences for the other party resulting from these circumstances.

#### 11.4 Laws and regulations

Clearing Member accepts that Cboe Clear is not obligated to provide its services when Cboe Clear, in its reasonable opinion, determines that providing its services will violate any applicable law or regulation. Clearing Members shall at all times comply with applicable law and regulation, including any transaction reporting requirements, and any additional conditions and limitations imposed upon recognition.

## **12. Duty of care, liability and indemnification of Clearing Member**

#### 12.1 Duty of care

Clearing Member shall make use of the services of Cboe Clear in a professional, fair and prudent way, taking the interest of Cboe Clear, the other Clearing Members and of the market duly into account.

## 12.2 Liability

Clearing Member shall be liable for any loss, including any reasonable costs, but not including loss of profit and loss of opportunity, that Cboe Clear incurs due to the breach of contract, negligence, wilful default, or Default of Clearing Member or of any agent or other third party acting in the name of or for Clearing Member. Such loss shall include the amounts used by Cboe Clear out of the Default Fund and out of the dedicated own financial resources of Cboe Clear, after the Default of Clearing Member.

## 12.3 Failure to pay or deliver

Notwithstanding any other rights that Cboe Clear may have under the Clearing Rules or applicable laws and regulations, Cboe Clear will be entitled to charge the interest and penalties specified in Regulation Fees and Penalties to Clearing Member in relation to any failure of Clearing Member to timely pay or deliver.

## 12.4 Indemnification

Clearing Member agrees to indemnify, and keep fully indemnified, (on an after tax basis) Cboe Clear for, and to hold Cboe Clear harmless against any and all losses which are sustained by Cboe Clear in connection with the provision of Clearing Services to Clearing Member, except to the extent that those losses are a direct result of negligence of Cboe Clear or an intentional act or omission on the part of Cboe Clear. Cboe Clear may enforce this indemnity directly against Clearing Member and shall not be obliged to first take action against any third party.

# 13. Breach of Clearing Member

13.1 Each of the following events or circumstances that occur in relation to Clearing Member, may be declared by Cboe Clear to constitute a Breach:

- a) Clearing Member fails to timely fulfil any payment or delivery obligation under the Clearing Member Agreement or fails to perform, or is in breach of, any of the other terms of the Clearing Member Agreement;
- b) Clearing Member appears to Cboe Clear (in its reasonable discretion) to be unable, or to be likely to become unable, to meet its obligations under the Clearing Member Agreement;
- c) Clearing Member is in breach of the rules of a Trading Venue or CSD;
- d) Clearing Member is in breach of applicable laws or regulations or the terms or rules of a Competent Authority and such breach impacts the ability of Clearing Member to comply with their obligations under the Clearing Rules (as determined by Cboe Clear in its reasonable discretion);
- e) a Competent Authority over a market where Cboe Clear is active takes or threatens to take disciplinary action against or in respect of Clearing Member;
- f) a petition is presented, or a petition is made for the winding up or liquidation of Clearing Member (or, its Associated Entity), or a resolution is passed for the winding up or liquidation of Clearing Member (or, its Associated Entity);

- g) a voluntary arrangement for the debts of Clearing Member (or, its Associated Entity) is approved;
- h) a composition or scheme of arrangement in respect of Clearing Member (or, its Associated Entity) is approved by a competent court;
- i) Clearing Member (or, its Associated Entity) takes any step to commence, or any steps are taken to commence in respect of Clearing Member, to commence any proceeding under the *Wet homologatie onderhands akkoord*;
- j) Clearing Member (or, its Associated Entity) is presented with, or files for, a bankruptcy petition or an order for the appointment of an administrator, a receiver (including an administrative receiver) or a manager;
- k) any of the insolvency proceedings listed in Annex A to Regulation (EU) 2015/848 of 20 May 2015 on Insolvency Proceedings (or any similar proceedings with a competent court or authority in a jurisdiction outside the EU) is requested, ordered or started in respect of Clearing Member (or, its Associated Entity);
- l) subject to article 13.2 of this chapter 1, any action is taken by a court or Competent Authority for the resolution of Clearing Member (or, its Associated Entity) or any other emergency measure is taken by such parties in relation to Clearing Member (or, its Associated Entity);
- m) any license or authorisation for a Clearing Member (or an individual compartment of a Clearing Member) to operate is cancelled or otherwise withdrawn;
- n) any step analogous to those mentioned in the foregoing paragraphs is taken in respect of Clearing Member (or, its Associated Entity) in any jurisdiction;
- o) (in respect of a Co-operating CCP) an event of default, however described, has occurred under the Link Agreement;
- p) failure by a Clearing Member to provide a Bid on an auction portfolio pursuant to article 5.8 of this chapter 1; and
- q) if there is filing of any application for the opening of procedures with regard to any Preventative Settlement or Restructuring or declaration of bankruptcy in respect of the Clearing Member under the Kuwait Bankruptcy Law.

For the avoidance of doubt, the events set out in article 13.1 of this chapter 1 shall apply *mutatis mutandis* to a sub-fund as though it were a distinct legal entity and with such modifications as are necessary to accommodate the fact that the sub-fund is not a company.

13.2 A resolution action as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (or equivalent domestic legislation) shall (in itself) not constitute a Breach.

## **14. Clearing Member Default**

### 14.1 Default

Upon the occurrence of a Breach in relation to Clearing Member and at each moment during the continuation of such Breach, Cboe Clear may, acting reasonably and proportionately in its sole discretion, declare Clearing Member in Default by sending a Notice to such Clearing Member in respect of that declaration (a “Notice of Default”).

### 14.2 Positions and Clearing Services

If Cboe Clear declares a Clearing Member in Default, such Default will apply in relation to all Positions of that Clearing Member and all Clearing Services that that Clearing Member makes use of, disregarding whether the Breach occurred in relation to Securities Clearing or in relation to SFT Clearing.

### 14.3 Notification to other parties

When Cboe Clear sends a Notice of Default to Clearing Member, Cboe Clear will promptly notify this to the relevant Trading Venues and SFT Posting Providers, the other Clearing Members, the relevant Competent Authorities and to such other parties as Cboe Clear deems necessary or useful.

### 14.4 Measures in case of a Default

Subject to the automatic early termination provisions in article 14.6 of this chapter 1, immediately after serving the Notice of Default to Clearing Member, Cboe Clear may take any one or more of the following measures, or any other measure as may be provided elsewhere in the Clearing Member Agreement or the Clearing Rules or as may be allowed pursuant to applicable law.

- a) Cboe Clear may suspend the provision of its services to Clearing Member.
- b) Cboe Clear may terminate its relationship with Clearing Member.
- c) Cboe Clear may inform one or more relevant Trading Venues that Cboe Clear will no longer Clear Trades for the account of Clearing Member.
- d) Cboe Clear may require Clearing Member to provide additional Margin and/or DF Contribution.
- e) Cboe Clear may declare one or more or all of the obligations of Clearing Member to be immediately due and payable.
- f) Cboe Clear may suspend the payment and delivery of cash and securities to Clearing Member and the settlement of Positions of Clearing Member.
- g) Cboe Clear may buy, borrow, sell and deliver securities and currencies and receive and make payments for the account of Clearing Member to fulfil settlement obligations.

- h) Cboe Clear may close out one or more Positions of Clearing Member on the basis of the latest available closing price on the primary Trading Venue or other representative market prices or on the basis of the price and costs actually paid or received by Cboe Clear for hedging or replacing such Positions.
- i) Cboe Clear may enter into transactions, by means of an auction or otherwise, in order to hedge Positions of Clearing Member or as replacement of Positions of Clearing Member that are either accelerated or closed.
- j) Cboe Clear may sell the Margin furnished by Clearing Member or otherwise apply such Margin against any losses suffered by Cboe Clear, provided that Cboe Clear may only use the proceeds or value of the Margin recorded on an Omnibus Client Margin Account and on an Individual Client Margin Account for a shortfall in the Position Account to which such Margin Account is connected.
- k) Cboe Clear may apply the Default Fund for any obligations of Clearing Member towards Cboe Clear, taking into account article 14.10 of this chapter 1.
- l) Cboe Clear may apply the pro rata amount of the value of the Interoperability Fund that has been contributed by Clearing Member for any obligations of Clearing Member towards Cboe Clear.
- m) Cboe Clear may obtain any advice or assistance, as Cboe Clear may reasonably require in connection with the Default of Clearing Member at the expense of Clearing Member.
- n) Cboe Clear may make use of its right of close out netting as specified in article 14.6 of this chapter 1.

#### 14.5 Segregation and portability

At the start of the transfer period as specified in Regulation Portability, Cboe Clear will trigger the procedures for the transfer of the Positions and Margin that are recorded in the Omnibus Client Position Accounts and connected Omnibus Client Margin Accounts respectively in the Individual Client Position Accounts and connected Individual Client Margin Accounts of the Defaulting Clearing Member to other Clearing Members in accordance with and under the conditions as specified in Regulation Portability. In relation to the Positions and Margin that are recorded in Omnibus Client Position Accounts and Omnibus Client Margin Accounts respectively in Individual Client Position Accounts and Individual Client Margin Accounts of the Defaulting Clearing Member, Cboe shall only take the steps permitted by article 14.6 of this chapter 1 after termination of the transfer period as specified in Regulation Portability.

#### 14.6 Close out netting

After a Notice of Default has been sent to Clearing Member, Cboe Clear may specify a date (the "Liquidation Date") for the close out and netting of all rights and obligations

between Cboe Clear and Clearing Member. Cboe Clear will inform Clearing Member by Notice of the Liquidation Date.

However, where the Breach specified in article 13.1 (g), (h), (i), (j), (k), or (l) of this chapter 1, is governed by a system of law which does not permit termination to take place after the bankruptcy event in respect of Clearing Member, then the Liquidation Date in respect of all Positions will occur immediately upon the occurrence of the Breach specified in article 13.1 (g), (h), (i), (j), (k) and (l) of this chapter 1.

In such situation, the following applies.

- a) As per the Liquidation Date neither Cboe Clear nor Clearing Member shall be obliged to make any further payments or deliveries under any Position, in relation to Margin, or otherwise but shall be obliged to pay the Liquidation Amount(s);
- b) On or as soon as reasonably practicable after the Liquidation Date, Cboe Clear will in relation to each separate Position Account and connected Margin Account, determine its total loss or, as the case may be, gain, in each case expressed in euro (and, if appropriate, including any cost of funding or, without duplication, cost, loss or, as the case may be, gain as a result of the termination, liquidation, obtaining, performing or re-establishing of any hedging positions or replacing positions), as a result of the termination of each payment or delivery which would otherwise have been required to be made under each Position in such Position Account (after having applied the value of any Margin in the related Margin Account), in each case, in Cboe Clear's discretion but having due regard to the price and costs of replacing Positions and, otherwise, such market quotations or prices published by a Trading Venue or other reputable pricing source as may be available on, or immediately preceding, the time of calculation, including the costs and losses, or gains, in respect of any payment or delivery required to have been made (assuming satisfaction of any applicable condition precedent) on or before the designated Liquidation Date and not made;
- c) Cboe Clear shall treat each amount owed to it in respect of a Position, as a negative amount and each amount owed by it, so determined in relation to a Position and in relation to the value of all related Margin, as a positive amount and will aggregate all of such amounts to produce a single, net positive or negative amount per Position Account and connected Margin Account which will be the Liquidation Amount (the "Liquidation Amount") of the respective Position Account and connected Margin Account; and
- d) Cboe Clear shall notify Clearing Member of the Liquidation Amount of each Position Account and connected Margin Account.

#### 14.7 The Liquidation Amount of a House Position Account and connected Margin Account

If the Liquidation Amount of a House Position Account and connected Margin Account is a positive amount, Cboe Clear shall owe it to Clearing Member. If the

Liquidation Amount of the House Position Account and connected Margin Account is a negative amount, Clearing Member shall owe such amount to Cboe Clear.

14.8 The Liquidation Amount of an Omnibus (Indirect) Client Position Account and connected Margin Account

If the Liquidation Amount of an Omnibus (Indirect) Client Position Account and connected Margin Account is a positive amount, Cboe Clear shall pay it to the relevant Clients of Clearing Member when they are known to Cboe Clear or, if they are not, to Clearing Member for the account of those Clients, provided the applicable conditions set out in Regulation Portability are met. If the Liquidation Amount of the Omnibus (Indirect) Client Position Account and connected Margin Account is a negative amount, Clearing Member shall owe such amount to Cboe Clear.

14.9 The Liquidation Amount of an Individual Client Position Account and connected Margin Account

If the Liquidation Amount of an Individual Client Position Account and connected Margin Account is a positive amount Cboe Clear shall pay it to the relevant Client when known to Cboe Clear or, if not, to Clearing Member for the account of the Client, provided the applicable conditions set out in Regulation Portability are met. If the Liquidation Amount of the Individual Client Position Account and connected Margin Account is a negative amount, Clearing Member shall owe such amount to Cboe Clear.

14.10 Remaining obligations

14.10.1 Any obligations of the Defaulting Clearing Member towards Cboe Clear that remain after the liquidation of each Position Account and connected Margin Account of the Defaulting Clearing Member, will be covered by Cboe Clear in the following way and order:

- a) Cboe Clear may apply the positive Liquidation Amount of a House Account and connected Margin Account of the Defaulting Clearing Member against any obligations of the Defaulting Clearing Member towards Cboe Clear. When applying the positive Liquidation Amount of a House Position Account and connected Margin Account, Cboe Clear will first apply such amount to the obligations of the Defaulting Clearing Member in relation to the Clearing Service of that particular House Position Account and connected Margin Account and only then to the obligations of the Defaulting Clearing Member in relation to the other Clearing Services; then
- b) Cboe Clear may apply the value of any Settlement Exposure Add-on and Settlement Prefunding provided by the Defaulting Clearing Member against any obligations of the Defaulting Clearing Member towards Cboe Clear; then
- c) Cboe Clear may apply the Default Fund up to the amount of the DF Contribution Value of the Defaulting Clearing Member; then
- d) Cboe Clear may apply the Interoperability Fund up to the pro rata amount of the Interoperability Fund that has been provided by the Defaulting Clearing Member; then

- e) If any obligations remain, Cboe Clear will apply:
- i. the dedicated own financial resources of Cboe Clear as determined in accordance with Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 with regard to regulatory technical standards on requirements for central counterparties; then
  - ii. the Default Fund in accordance with article 7.7 of this chapter 1; then
  - iii. the additional dedicated own financial resources of Cboe Clear determined in accordance with EU Regulation R&R; then
  - iv.
    1. the Default Fund after additional DF Contributions have been made by non-defaulting Clearing Members pursuant to Recovery DF Cash Calls, whereby Cboe Clear will apply amounts contributed to the Default Fund; and/or
    2. any amount following from article 17.1(c) of this chapter 1; then
  - v. the remaining financial resources of Cboe Clear.

14.10.2 For the purpose of this article 14.10 of this chapter 1, Securities Clearing and SFT Clearing together are deemed to be one single Clearing Service.

14.10.3 If the remaining financial resources of Cboe Clear are insufficient to cover its losses, to the extent not already activated, Cboe Clear may activate its Recovery Plan in accordance with article 17 of this chapter 1.

#### 14.11 Results of Default handling process

Per email or on its website, Cboe Clear will inform all Clearing Members of the results of the handling of the Default, including the manner in which the Default Fund has been applied and the attribution thereof to the Clearing Members.

#### 14.12 Special Clearing Member

In case of the Default of a Special Clearing Member, Cboe Clear shall not have recourse to the Default Fund, meaning that the resources listed in article 14.10.1, paragraphs (c), (e)(ii) and (e)(iv) of this chapter 1 cannot be applied against losses suffered by Cboe Clear following the Default of a Special Clearing Member.

#### 14.13 Payments received from the Defaulting Clearing Member

Any payments that Cboe Clear receives from the Defaulting Clearing Member after all obligations of the Defaulting Clearing Member towards Cboe Clear have been satisfied and after Cboe Clear has made use of the resources specified in article 14.10 of this chapter 1, will be credited in the reverse order of the order specified in article 14.10 of this chapter 1 to the entities that provided the relevant resources.

## **15. Set off by Cboe Clear**

At all times during its relationship with Clearing Member, when Cboe Clear deems it to be necessary, Cboe Clear will be allowed to set off any amounts owed by Cboe Clear to Clearing Member against any payment obligation or liability of Clearing Member of whatever kind, present or future, direct or indirect, actual or contingent and howsoever arisen under the Clearing Member Agreement or otherwise (including across Clearing Services), provided that Cboe Clear may not set-off any amounts owed by Cboe Clear in relation to an Omnibus Client Position Account and connected Margin Account or any amounts owed by Cboe Clear in relation to an Individual Client Position Account and connected Margin Account, with any debts of Clearing Member that are not related to such Omnibus Client Position Account and connected Margin Account or such Individual Client Position Account and connected Margin Account.

## **16. Liquidity measures**

**16.1 Settlement Exposure Add-on and Settlement Prefunding Requirement**  
Cboe Clear may demand the delivery of Settlement Exposure Add-on and/or Settlement Prefunding from Clearing Member in accordance with Regulation Liquidity Measures. Settlement Exposure Add-on and Settlement Prefunding shall be provided by Clearing Member by way of title transfer. For providing Settlement Exposure Add-on and Settlement Prefunding, Clearing Member shall enter into the title transfer financial collateral arrangement deed provided by Cboe Clear for that purpose. Cboe Clear will reflect the Settlement Exposure Add-on and Settlement Prefunding received from Clearing Member on the Settlement Exposure Add-on Account respectively the Settlement Prefunding Account that Cboe Clear will open in its administration for this purpose. This article 16.1 does not apply to any Special Clearing Member.

**16.2 Suspension of the return of Margin, IF Contribution and DF Contribution**  
To continue to perform its settlement obligations towards non-defaulting Clearing Members in times of liquidity stress, Cboe Clear may suspend the return of amounts contributed to the Default Fund, amounts contributed to the Interoperability Fund and/or Margin to non-defaulting Clearing Members until the date as notified by Cboe Clear. Cboe Clear shall notify the Clearing Members of the suspension becoming effective and of the date as of which the suspension will be terminated.

## **17. Recovery measures**

**17.1** Upon Cboe Clear having served a Notice of Default in respect of one or more Clearing Members and having activated the Recovery Plan, Cboe Clear may at its full discretion determine to apply any one or more of the following recovery measures:

- a) require non-defaulting Clearing Members to make one or more additional DF Contributions to Cboe Clear in a currency as specified by Cboe Clear of amounts that do not in aggregate exceed the pro rata share that each such Clearing Member has contributed to the value of the Default Fund before the occurrence of the Default(s) (the "Recovery DF Cash Call"). The Recovery DF Cash Call will be payable immediately on demand of Cboe Clear;

- b) require non-defaulting Clearing Members to make a payment to Cboe Clear of an amount and in a currency as specified by Cboe Clear to enable the settlement of Positions in accordance with Regulation Liquidity Measures (the "Recovery Liquidity Cash Call"). Recovery Liquidity Cash Calls will be payable immediately on demand of Cboe Clear;
- c) reduce the amount of Cboe Clear's payment obligation to non-defaulting Clearing Members where those obligations arise from gains due in accordance with Cboe Clear's processes for paying Variation Margin, provided that Cboe Clear may only do so for up to four consecutive Clearing Days per Default Handling Period; and
- d) partially or fully terminate Positions with non-defaulting Clearing Members.

17.2 Article 17.1 (a) and (b) of this chapter 1 do not apply to Special Clearing Members.

17.3 Cboe Clear shall only apply the recovery measure set out under article 17.1(d) of this chapter 1 after it has utilised the financial resource set out under article 14.10.1(e)(iii) of this chapter 1.

17.4 Upon Cboe Clear having activated the Recovery Plan, Cboe Clear may suspend the settlement of Open Positions where Cboe Clear deems it reasonably necessary in relation to the organisation and the operation of the Clearing System.

17.5 Cboe Clear shall notify its Competent Authority when, in order to achieve the goals of Cboe Clear's recovery process, Cboe Clear wishes to:

- a) take measures provided for in the Recovery Plan despite the fact that the relevant indicators in the Recovery Plan have not been met; or
- b) refrain from taking measures provided for in the Recovery Plan despite the fact that the relevant indicators in the Recovery Plan have been met.

## **18. Resolution measures**

After a Resolution Action has been taken in relation to Cboe Clear by a court or Competent Authority, the following measures may apply.

- a) The Resolution Authority may reduce the amount of Cboe Clear's payment obligations to non-defaulting Clearing Members where those obligations arise from gains due, in accordance with Cboe Clear's processes for paying Variation Margin, or a payment that has the same economic effect.
- b) The Resolution Authority may require non-defaulting Clearing Members to make a DF Contribution in the form of cash to Cboe Clear up to twice the amount of the pro rata share that each such Clearing Member has contributed to the value of the Default Fund at that time

(the "Resolution DF Cash Call"). Resolution DF Cash Calls shall be payable immediately on demand of the Resolution Authority.

- c) In the event that the Resolution Authority refrains partially or fully from enforcing existing and outstanding obligations of non-defaulting Clearing Members towards Cboe Clear for the reasons as set out in the second subparagraph of paragraph 3 or in paragraph 4 of article 27 of EU Regulation R&R, the Resolution Authority may enforce the remaining obligations within 18 (eighteen) months after Cboe Clear is considered to be failing or likely to fail in accordance with article 22 of EU Regulation R&R, provided that the reasons for refraining from enforcing those obligations no longer exist.
- d) Clearing Member acknowledges and accepts that liabilities arising under the Clearing Rules may be subject to the exercise of Resolution Action and acknowledges and accepts to be bound by any Resolution Action and the effects thereof (including any variation, modification and/or amendment to the terms of the Clearing Rules as may be necessary to give effect to any such Resolution Action).

## **19. Cboe Clear Default**

### 19.1 Notice of Termination

19.1.1 Any Clearing Member may send a Notice of Termination to Cboe Clear if:

- a) a Cboe Clear Bankruptcy Event has occurred; or
- b) a Cboe Clear Default Event has occurred in the relationship between Cboe Clear and such Clearing Member and such Clearing Member has not received a Notice of Default.

19.1.2 A Notice of Termination is deemed to be received immediately if sent by email during a Clearing Day to the address specified by Cboe Clear on its website for the receipt of (legal) Notices.

19.1.3 After any Notice of Termination has been received by Cboe Clear, neither Cboe Clear nor the Clearing Member who sent such Notice shall be obliged to make any further payments or deliveries under any Position, other than payment of the Net Amount.

### 19.2 Net Account Value

19.2.1 As soon as possible after the Termination Date in relation to the Notice of Termination sent by Clearing Member, Clearing Member will, in relation to each separate Position Account and connected Margin Account, determine its total loss or, as the case may be, gain, in each case expressed in euro, as a result of the termination of each payment or delivery which would otherwise have been required to be made under each Position in such Position Account (after having applied the value of any Margin in the related Margin Account), in each case in Clearing Member's discretion and adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally.

19.2.2 Clearing Member shall treat each amount owed to it in respect of a Position, as a positive amount and each amount owed by it in relation to a Position and the value of all related Margin, as a negative amount and will aggregate all such amounts to produce a single Net Account Value per Position Account and connected Margin Account.

### 19.3 Net Amount

On the basis of the Net Account Values, the value of Settlement Exposure Add-on, the value of Settlement Prefunding, the DF Contribution Value of Clearing Member and the IF Contribution of the relevant Clearing Member to the value of the Interoperability Fund, Clearing Member shall calculate the Net Amount. Clearing Member shall notify Cboe Clear of the Net Amount as promptly as possible and provide Cboe Clear with a written statement, showing in reasonable detail the calculations and quotations with which the Net Amount has been determined. If the Net Amount is a positive amount, Cboe Clear shall pay such amount to Clearing Member as soon as reasonably possible (and, if Cboe Clear does not pay such amount to a Pledgee Lender, the Pledgee Lender shall be entitled to enforce its pledge against Cboe Clear). If the Net Amount is a negative amount, Clearing Member shall pay such amount to Cboe Clear on the first Clearing Day following the written statement in which the amount of the Net Amount was specified.

## **20. Inactive status and termination of relationship between Clearing Member and Cboe Clear**

### 20.1 Termination or inactive status by Clearing Member

Any Clearing Member may other than (i) after receipt by Clearing Member of a Notice of Default, and (ii) during a Default Handling Period:

- a) terminate the Clearing Member Agreement; or
- b) request that such Clearing Member be designated as inactive,

in relation to one or more Clearing Services upon ten days' notice by sending a Notice to Cboe Clear. The termination or designation as inactive will become effective on the later of (i) the expiry of the ten days' notice period and (ii) the day on which no more Positions or Statements of Authority are outstanding in respect of that Clearing Member in relation to the relevant Clearing Service. At the moment that a Default Handling Period commences or Cboe Clear sends a Notice of Default to Clearing Member, a termination or inactive designation Notice from Clearing Member that has not yet become effective shall be deemed null and void.

At the request of Clearing Member, Cboe Clear shall as soon as reasonably possible, lift such Clearing Member's designation of inactive provided that such Clearing Member will be able to fully comply with the Clearing Rules once such designation is lifted.

### 20.2 Suspension or termination by Cboe Clear

20.2.1 Without prejudice to the possible application of any other provisions of the Clearing Member Agreement or under law, if (i) a Breach has occurred and

is continuing in relation to Clearing Member, (ii) in the opinion of Cboe Clear, any event could or is likely to result in a situation in which Clearing Member can no longer comply with its obligations under these Clearing Rules, (iii) Clearing Member is consistently or repeatedly in breach of the Clearing Rules, or (iv) to the opinion of Cboe Clear, Clearing Member endangers the proper functioning of Cboe Clear, Cboe Clear may:

- a) instruct Clearing Member to close all or part of the Positions of Clearing Member;
- b) instruct Clearing Member to only enter into Trades that will decrease the Positions of Clearing Member, or otherwise submit the Acceptance of new Trades to specific conditions, or impose additional conditions which Cboe Clear deems appropriate in the circumstances and which it notifies in writing to Clearing Member;
- c) suspend all or part of its services to Clearing Member in relation to one or more Clearing Services; and/or
- d) terminate its relationship with Clearing Member in relation to one or more Clearing Services.

20.2.2 Any Positions of Clearing Member that remain outstanding at the start of the suspension or termination in relation to Clearing Member, may be closed out by Cboe Clear for the account of Clearing Member.

### 20.3 Information

When the relation of Clearing Member with Cboe Clear is suspended or terminated, Cboe Clear shall inform the relevant Trading Venue(s) or SFT Posting Provider(s) immediately that Cboe Clear shall refuse the registration of new Positions in the name of Clearing Member.

### 20.4 Information to third parties

Cboe Clear will promptly inform the other Clearing Members, the Competent Authorities and relevant Trading Venues or SFT Posting Providers and other relevant third parties of the suspension or termination of the Clearing Services to Clearing Member.

### 20.5 Survival

Upon termination of the Clearing Member Agreement all provisions will cease to be effective, except for the provisions in the Clearing Member Agreement that according to their wording and scope are intended to remain in force after the end of the Clearing Member Agreement, including article 10.6 (Confidentiality), 10.7 (Use of information), 11 (Duty of care and liability of Cboe Clear), 12 (Duty of care, liability and indemnification of Clearing Member) and 23 (Governing law and jurisdiction).

## 21. Language

All correspondence and communication between Cboe Clear and its Clearing Members will be in English.

## **22. Time**

Where reference is made in the Clearing Rules to a time, it shall be CE(S)T unless indicated otherwise.

## **23. Governing law and jurisdiction**

23.1 The contractual relation created with the Clearing Member Agreement shall be governed in all its aspects by the laws of the Netherlands.

23.2 Any disputes between Cboe Clear and Clearing Member arising out of or in connection with the Clearing Member Agreement, including disputes relating to its existence, will be exclusively submitted to the courts of Amsterdam to which jurisdiction each of the Parties irrevocably submits.

## **24. Invalidity and Severability**

If any provision of the Clearing Member Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect the other provisions of the Clearing Member Agreement and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect. The Parties hereby agree to attempt to substitute any invalid or unenforceable provision with a valid or enforceable provision which achieves to the greatest extent possible the economic, legal and commercial objectives of the invalid or unenforceable provision.

## **25. Complaints**

If Clearing Member has a complaint about the performance by Cboe Clear of its Clearing Services, Clearing Member may submit a written complaint to Cboe Clear. Directly upon receipt, Cboe Clear will inform Clearing Member that it received the complaint. Cboe Clear will handle the complaint in accordance with its complaints procedure as set out in Regulation Complaints.

# Chapter 2. Securities Clearing

## Introduction

Chapter 2 provides additional requirements and conditions in relation to Securities Clearing. Chapter 2 only applies between Cboe Clear and Clearing Members that are accepted as Clearing Member for Securities Clearing and only applies in relation to Securities Clearing.

### 1. Clearing Members

#### 1.1 Own account and Client Positions

Clearing Members are allowed to hold Positions for their own account and to hold Positions for the account of their Clients. In the relationship between Cboe Clear and Clearing Member, Clearing Member shall in either case be a principal to any Position and Margin.

#### 1.2 Clearing Member status

A Clearing Member can be accepted by Cboe Clear as a Direct Clearing Member or as a General Clearing Member. The entities that can be accepted as Direct Clearing Member or as General Clearing Member and the requirements that apply in relation to Direct Clearing Members and General Clearing Members, are specified in Regulation Clearing Members.

#### 1.3 Direct Clearing Member

A Direct Clearing Member may submit Trades for Clearing that have been entered into by itself in its capacity as Trading Participant, either for its own account or for the account of its Clients. A Direct Clearing Member may not submit Trades for Clearing that have been entered into by any other Trading Participant.

#### 1.4 General Clearing Member

A General Clearing Member may submit Trades for Clearing entered into by itself in its capacity as Trading Participant or entered into by any other Trading Participants in relation to which it has given a Statement of Authority, in each case either for its or their own account or for the account of its Clients or their clients.

#### 1.5 Clearing agreement and Statement of Authority

A General Clearing Member must enter into a written clearing agreement with each other Trading Participant for which it accepts to submit Trades for Clearing. Clearing Member will send to Cboe Clear a Statement of Authority in relation to such other Trading Participant for each separate Trading Venue or market, after which Cboe Clear will accept to Clear the Trades of that Trading Participant on such Trading Venues or market in the name and for the account of Clearing Member.

#### 1.6 Suspension or termination of Statement of Authority

As soon as Clearing Member suspends or terminates any Statement of Authority, Clearing Member will give notice to that effect to Cboe Clear and the relevant Trading Venue(s), if any. In relation to Statements of Authority for Trades concluded off a Trading Venue, Cboe Clear will refuse to clear and settle any Trades entered into by

that Trading Participant, after having confirmed the receipt of the notice of suspension or termination from Clearing Member. In relation to Statements of Authority for Trades concluded on a Trading Venue, upon receipt by Cboe Clear of a notification from each relevant Trading Venue that it has taken appropriate measures in its systems to procure that such Trading Participant can no longer conclude Trades on the relevant Trading Venue in the name of Clearing Member, Cboe Clear will confirm to Clearing Member that the Statement of Authority is suspended or terminated, as the case may be, and subsequently will refuse to clear and settle any Trades entered into by that Trading Participant on such Trading Venue. Until the time of each such confirmation, the relevant Statement of Authority will remain in full force and effect as between Cboe Clear and the Clearing Member.

## **2. Accounts**

- 2.1 The Clearing Members may request Cboe Clear to facilitate a certain account structure set out in this article for the Securities Clearing.
  
- 2.2 In relation to Securities Clearing, Cboe Clear registers each Trade Leg in one of the Position Accounts based on the information contained in the Electronic Message containing the particulars of a Trade. Trade Legs can be registered in the following Position Accounts:
  - (a) House Position Account;
  - (b) Omnibus Client Position Account; which can either be a:
    - i. Net Omnibus Client Position Account; or
    - ii. Gross Omnibus Client Position Account;
  - (c) Individual Client Position Account;
  - (d) either:
    - i. a Net Omnibus Indirect Client Position Account; or
    - ii. a Gross Omnibus Indirect Client Position Account.
  
- 2.3 In relation to Securities Clearing, Cboe Clear shall open any of the following Margin Accounts for each of the Position Accounts within the account structure of the Clearing Member:
  - (a) House Margin Account;
  - (b) Omnibus Client Margin Account; which can either be a:
    - i. Net Omnibus Client Margin Account; or
    - ii. Gross Omnibus Client Margin Account;
  - (c) Individual Client Margin Account;
  - (d) either:

- i. a Net Omnibus Indirect Client Margin Account; or
- ii. a Gross Omnibus Indirect Client Margin Account.

- 2.4 In relation to Securities Clearing, Cboe Clear shall open any of the following Margin Accounts within the account structure of the Clearing Member:
- (a) Settlement Exposure Add-on Account; and
  - (b) Settlement Prefunding Account.
- 2.5 In relation to Securities Clearing, per Position Account, Cboe Clear opens at least one sub-account for trade booking, settlement, and administrative purposes. Reports with open Positions and Margin relating to the sub-accounts are provided by Cboe Clear for information purposes only.
- 2.6 Registration of Trade Legs
- 2.6.1 Cboe Clear registers each Trade Leg in the Position Account as specified in the Posting of the Trade.
- 2.6.2 It is the sole responsibility of Clearing Member to ensure compliance with the segregation obligations of article 39(4) EMIR.

### **3. Securities Clearing**

Cboe Clear provides Securities Clearing in relation to the securities that are specified in Regulation Securities.

### **4. Acceptance**

#### 4.1 Acceptance

Cboe Clear will Accept all Trades in a Posting sent to Cboe Clear that fulfil the conditions specified in the Clearing Rules (including in Regulation Posting).

#### 4.2 Novation or Open Offer

Cboe Clear will Clear Trades on the basis of Novation, unless the Trade has been entered into on a Trading Venue that makes use of Open Offer.

#### 4.3 Novation

In relation to a Trade that is to be cleared by means of Novation:

- a) immediately after receipt of the Posting of the Trade that fulfils the conditions that are specified in Regulation Posting, the Trade will be subject to Novation into two Trade Legs, based upon the information in the Posting; a Trade Leg between Cboe Clear and the selling Clearing Member and a Trade Leg between Cboe Clear and the buying Clearing Member; and
- b) that fulfils the conditions that are specified in Regulation Posting and that is entered into on a Trading Venue, Cboe Clear guarantees that the Trade will be subject to Novation by Cboe Clear from the moment of its conclusion on the Trading Venue.

#### 4.4 Open Offer

In relation to a Trade that is to be cleared by means of Open Offer:

- a) Cboe Clear makes an offer on a continuing basis to each Clearing Member to enter into a Trade Leg with that Clearing Member on the relevant Trading Venue; and
- b) that offer is accepted by a Clearing Member or the Clearing Members in respect of a Trade that fulfils the conditions that are specified in Regulation Posting, on the moment that such Trade is concluded on the relevant Trading Venue, whereupon two Trade Legs arise; one between Cboe Clear and the selling Clearing Member and one between Cboe Clear and the buying Clearing Member, in each case, based upon the information in the Posting of the Trade.

#### 4.5 Confirmation

At the end of each Trade Date, Cboe Clear will send the confirmation of the Acceptance of all Trades made during such Trade Date with each relevant Clearing Member and shall also, upon request of a Clearing Member, provide such confirmations during each Trade Date.

## 5. Postings

### 5.1 Posting

Clearing Member accepts that a binding Trade Leg will arise based on the information contained in each Posting that is specified to be for the account of Clearing Member.

### 5.2 Correction

In relation to Trades that have been entered into on a Trading Venue, Cboe Clear is entitled to amend a Trade Leg in accordance with a correction that Cboe Clear receives from the applicable Trading Venue not later than 30 minutes after close of business on that Trading Venue on the Trade Date of the Trade to which that Trade Leg relates or that Cboe Clear receives from a Co-operating CCP or another person pursuant to a Link Agreement.

## 6. Securities Positions

### 6.1 Securities Transaction Positions

On each (sub account of a) Position Account, Cboe Clear aggregates and nets all Trade Legs for Securities Transactions with the same ISIN code, central securities depository account, currency and Settlement Date into one single Position.

### 6.2 Corporate actions

Cboe Clear may make adjustments to Positions of Securities Transactions in accordance with Regulation Corporate Actions to reflect corporate actions on securities.

## 7. Settlement

### 7.1 Settlement of Positions

Settlement of Positions takes place in accordance with Regulation Settlement. Clearing Member shall enable the timely settlement of Positions in accordance with Regulation Settlement.

## 7.2 Settlement by Cboe Clear

The fulfilment by Cboe Clear of its settlement obligations towards Clearing Member is conditional upon the timely and complete performance by Clearing Member of its own obligations towards Cboe Clear. Cboe Clear may perform its delivery or payment obligation at a later time than the Settlement Date originally specified for the relevant Positions.

## 7.3 Fails

In case of a Fail by Clearing Member, Cboe Clear will charge its costs and the fee and penalty as specified in Regulation Fees and Penalties to Clearing Member. In addition, Cboe Clear may close or settle such Position in accordance with the buy-in procedures specified in Regulation Buy-in. Any such buy-in will at all times be at the risk and expense of Clearing Member.

## 7.4 Partial settlement, cash settlement

If in relation to a settlement, Cboe Clear or Clearing Member is unable to deliver or take delivery of securities due to market conditions, Cboe Clear may partially settle the relevant delivery obligations where such is possible and settle the remaining parts by means of cash settlement. The basis for cash settlement will be the latest available closing price of the securities on the primary exchange. Cash settlement shall take place in the currency as specified by Cboe Clear.

# 8. Cooperating Clearing House, Interoperability Fund

## 8.1 Cooperating Clearing House

From time to time, Cboe Clear can enter into a Link Agreement with a Co-Operating CCP, pursuant to which Cboe Clear will be able to hold trade legs for the risk and account of its Clearing Members with such Co-Operating CCP and vice versa. Cboe Clear will notify Clearing Member whenever a new Link Agreement has been agreed with a Co-Operating CCP. A copy of each Link Agreement will be available on request to Clearing Members.

## 8.2 Interoperability Fund

In order for Cboe Clear to be able to meet the margin requirements of the Co-Operating CCP, Cboe Clear shall establish and maintain the Interoperability Fund.

## 8.3 IF Contributions

The Interoperability Fund will be formed with the IF Contributions that must be provided by the Clearing Members that make use of Securities Clearing. Cboe Clear will calculate the required IF Contributions of Clearing Member and, if applicable, call IF Contributions from Clearing Member. The principles underlying the calculation of IF Contributions, the currencies and securities that are eligible to be provided as IF Contributions, the applicable settlement address and manner and timing of payment and delivery of the IF Contribution, are specified in Regulation Interoperability Fund.

## 8.4 Transfer and encumbrance

The assets of the Interoperability Fund shall be the property of Cboe Clear. Cboe Clear shall have the authority to transfer the assets of the Interoperability Fund to one or more Co-Operating CCPs and to grant Security over these assets to one of more Co-Operating CCPs.

#### 8.5 Application of the Interoperability Fund

The Interoperability Fund will be applied when a Co-Operating CCP has recourse against the assets of the Interoperability Fund. A Co-Operating CCP will be entitled to have recourse against the assets of the Interoperability Fund to make good all losses suffered by a Co-Operating CCP as a result of a default event of Cboe Clear under the applicable Link Agreement.

#### 8.6 Application after Breach or Default of Clearing Member

Cboe Clear may apply the pro rata part of the Interoperability Fund that has been contributed by Clearing Member to make good all losses suffered by Cboe Clear as a result of a Breach or Default of Clearing Member.

#### 8.7 No reimbursement by Cboe Clear

If the assets of the Interoperability Fund are applied by a Co-Operating CCP or by Cboe Clear pursuant to and in accordance with article 8.6 of this chapter 2, Cboe Clear shall not reimburse the Interoperability Fund or any Clearing Member.

#### 8.8 Return of IF Contribution

On termination of the Clearing Member Agreement and after full settlement of all Positions, fees and costs between Clearing Member and Cboe Clear and no outstanding obligations being owned or expected to become due by Clearing Member to Cboe Clear, Clearing Member will be entitled to receive payment of money or delivery of securities equal to the pro rata contribution by Clearing Member to the value of the Interoperability Fund at that moment. Cboe Clear shall pay or deliver the required amount of money or securities as soon as reasonably possible after the full settlement of such Positions, fees and costs.

## 9. Reporting

Each Clearing Day, Cboe Clear informs Clearing Member of the Accepted Trades, the Positions that are registered in its name per Position Account and the required or redelivered IF Contribution, DF Contribution and Margin. Clearing Member shall check such information immediately after receipt and immediately inform Cboe Clear if Clearing Member detects an error.

## Chapter 3. SFT Clearing

Chapter 3 provides the general rules that apply to Cboe Clear and to each Clearing Member that makes use of SFT Clearing. The provisions of this chapter 3 only apply to (a) Cboe Clear and Clearing Members that have been accepted as a Clearing Member for SFT Clearing and (b) SFT Clearing.

### 1. Clearing Members

#### 1.1 Own account

A Clearing Member shall only act for its own risk and account and may not enter into any Trade on behalf of a Client of Clearing Member or have any interest in any SFT for the account of any other person.

#### 1.2 Clearing Member status

A Clearing Member can be accepted as a Standard Clearing Member or as a Special Clearing Member in respect of SFT Clearing. A Clearing Member cannot be accepted as both a Standard Clearing Member and a Special Clearing Member at the same time. Regulation Clearing Members specifies which entities can be accepted as Standard Clearing Members and which entities can be specified as Special Clearing Members and the requirements that apply in relation to Standard Clearing Members and Special Clearing Members.

#### 1.3 Special Clearing Member

1.3.1 A Special Clearing Member is only allowed to act as Lender.

1.3.2 A Special Clearing Member is, notwithstanding any other provision in the Clearing Rules, not required to provide Margin and is not required to provide DF Contribution.

1.3.3 A Special Clearing Member that is a UCITS will receive title to RQV Assets under the condition that the RQV Assets are simultaneously pledged to Cboe Clear.

1.3.4 All other Special Clearing Members will receive Security over the RQV Assets and no legal title to the RQV Assets.

1.3.5 RQV Assets in relation to SFTs for which the Lender is a Special Clearing Member, shall be held with a TPCA at all times.

#### 1.4 Agent

An Agent may act on behalf of a Special Clearing Member provided such Agent has been authorised by the Special Clearing Member for this purpose by the execution of a power of attorney in form and content satisfactory to Cboe Clear. If an Agent acts on behalf of a Special Clearing Member, then, in relation to SFT Clearing, Cboe Clear will be entitled to only accept (and rely on) instructions from, and only provide information to, such Agent and not from or to the Special Clearing Member itself (other than an instruction from a Special Clearing Member that its representation by its Agent has been terminated).

#### 1.5 Security Agent

Unless otherwise agreed between such Special Clearing Member and Cboe Clear, each Special Clearing Member shall appoint an entity to act as its Security Agent for

the purpose of holding Security provided by Cboe Clear over RQV Assets by entering into an agreement with such entity (a "Security Agency Agreement") which complies with the following requirements:

- a) the Security Agency Agreement shall contain an express appointment of the Security Agent by the relevant Lender to hold its rights under the relevant Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement and the pledges over the RQV Assets created thereby for the benefit of such Lender and such other Lenders that have appointed the Security Agent for the same purpose and are party to such Security Agency Agreement. Depending on the governing law of the Security Agency Agreement, the agreement will need to include appropriate provisions ensuring that the pledges cannot form part of the insolvency or bankruptcy estate of the Security Agent. This may, for example, require including a provision stating the pledges are held on trust;
- b) the Security Agency Agreement must clearly define the Security Agent's authority, including its rights, powers, authorities, and discretions in relation to the relevant Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement;
- c) to the extent that the Security Agent must act in accordance with the instructions of an instructing group of Lenders (for example in agreeing to amend any term of a Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement), this must be clearly set out;
- d) the Security Agent must in particular have the right to rely on information from Cboe Clear as to which RQV Assets are allocated to any given Lender and any such information must be binding on all relevant Lenders;
- e) the Security Agency Agreement must provide that, following Cboe Clear's insolvency or default, the Security Agent will rely on the RQV Asset allocations most recently provided by Cboe Clear at that time;
- f) the circumstances in which the Security Agent must enforce the Security will need to be clearly defined (i.e., on the instructions of individual Lenders) with the steps to be taken on enforcement being consistent with the Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement, as the case may be, and in particular the enforcement restrictions set out in the relevant Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement;
- g) the Security Agent will need to be entitled to such information as it requires from a Lender in order to know whether the pledges have become enforceable in accordance with their terms and the amount of the secured liabilities owed to each Lender;
- h) the Security Agency Agreement must be clear on how any enforcement proceeds are to be applied by the Security Agent and that, in the event that the proceeds of enforcement in relation to a particular Lender's allocation of RQV Assets are insufficient to discharge the secured obligations owed to that Lender, that Lender has no recourse to any RQV Assets which are allocated to another Lender;
- i) in the event of any conflict between the provisions of the Security Agency Agreement and a Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement, as the case may be, the latter should prevail. In particular,

the Security Agency Agreement must not purport to alter or override any provisions of any Pledgee Lender Security Agreement or any Intermediate Pledge Security Agreement (in particular any provisions in relation to the granting of the Security, the pledged assets and their allocations to each Lender, the secured liabilities, the rights to enforce the security or the nature of the Security itself);

- j) the provisions of the Security Agency Agreement must not purport to alter or override any provisions of any other clearing documentation, including the Clearing Rules and the Collateral Management Documentation;
- k) the Security Agency Agreement may include customary exclusion of liability provisions for the benefit of the Security Agent (such as the Security Agent not being responsible for the nature, adequacy, perfection or quality of the relevant Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement or the status of Cboe Clear) and customary indemnification provisions;
- l) the Security Agency Agreement may include provisions allocating any tax risks as between the Security Agent and relevant Lenders that are party thereto;
- m) the costs and expenses of the Security Agent must be met solely by the relevant Lenders and not by Cboe Clear;
- n) the Security Agency Agreement must contain customary confidentiality provisions;
- o) the Security Agency Agreement may include provisions for the Security Agent to transfer its rights and obligations to another party with Cboe Clear's consent (but must ensure that the role of the security agent is performed at all times);
- p) the Security Agency Agreement shall include standard jurisdiction and choice of law provisions provided that:
  - i. the governing law of each Pledgee Lender Security Agreement and each Intermediate Pledge Security Agreement will be that of the jurisdiction in which the account holding the RQV Assets is located; and
  - ii. unless the Security Agent is able to provide Cboe Clear with a legal opinion (which is satisfactory to, and gives reliance to, Cboe Clear) in respect of another governing law, the governing law of each Security Agency Agreement will match the governing law of the Pledgee Lender Security Agreement or Intermediate Pledge Security Agreement, as the case may be, that is subject to that Security Agency Agreement;
- q) the Security Agency Agreement will need to allow for additional Lenders to accede to the agreement with Cboe Clear's prior written consent;
- r) any amendments or waivers in relation to the Security Agency Agreement may only be made with the written consent of the Lenders a party to that Security Agency Agreement, the Security Agent, and Cboe Clear; and
- s) the parties must acknowledge that any liability under the Security Agency Agreement may be subject to bail-in action by the relevant Competent Authority.

No Lender shall enter into any arrangements with the Security Agent that would have the effect of the legal relationship between such relevant Lender and the Security Agent no longer complying with the requirements set out above.

## **2. Accounts**

### **2.1 House Position Account**

Cboe Clear will open on its books and records a House Position Account, in the name of each Clearing Member and in respect of SFTs, to which each SFT it enters into with such Clearing Member will be recorded.

### **2.2 House Margin Account**

Cboe Clear will open on its books and records a House Margin Account in the name of Clearing Member (other than any Special Clearing Member) in respect of SFTs, which account will be used to reflect the Margin received by Cboe Clear in relation to the House Position Account in respect of SFTs.

### **2.3 Sub-accounts**

Upon request from Clearing Member, Cboe Clear can divide the House Position Account and the House Margin Account into one or more sub-accounts. The sub-accounts are opened by Cboe Clear for administrative purposes only and shall have no effect on the operation of close-out netting or other legal rights or obligations between Cboe Clear and Clearing Member.

## **3. SFT Clearing**

### **3.1 Terminology**

3.1.1 In the Clearing Rules, expressions like "Borrower", "Lender" and "Loaned Securities" are used. These terms are used to reflect the way SFTs are described in the market. Notwithstanding the use of these terms, for the purpose of SFT Clearing, title to the Loaned Securities "borrowed" or "lent" and "RQV Assets" provided in accordance with this Agreement shall pass from one party to an SFT or Related SFT to the other, with the party obtaining such title being obliged to deliver Equivalent Loaned Securities or Equivalent RQV Assets, as the case may be.

3.1.2 Under the Clearing Rules, each SFT or Related SFT will comprise an Opening Leg and a Closing Leg. For the avoidance of doubt, the term "SFT" describes a single stock loan.

### **3.2 Loaned Securities**

All Loaned Securities must be in the form of securities of a type specified as acceptable in Regulation Securities.

### **3.3 RQV Assets**

All RQV Assets must be in the form of cash or securities of a currency or type (as applicable) specified as acceptable in Regulation RQV.

### **3.4 Fixed Term SFTs, Open Term SFTs**

3.4.1 Cboe Clear will provide SFT Clearing in relation to both Fixed Term SFTs and Open Term SFTs. A Fixed Term SFT may have a term of no longer than 370 calendar days. Any Trade in respect of which Postings delivered to Cboe Clear specify a term of longer than 370 calendar days for the relevant Fixed Term SFT will be rejected by Cboe Clear.

3.4.2 All SFTs to which a Pledge-Back Lender is party and the Related SFTs will be Open Term SFTs.

## **4. Acceptance**

### **4.1 Acceptance**

4.1.1 Cboe Clear will Accept Trades in respect of which matching Postings are submitted to Cboe Clear by (or on behalf of) Clearing Members. A single Posting by a single Clearing Member (acting as Borrower or Lender) may be matched by one or more Postings submitted by one or more Clearing Members.

4.1.2 Cboe Clear will Accept such Trades immediately after receipt of the matching Postings, provided that: (i) each Posting contains all required information in respect of the relevant Trade; and (ii) the conditions specified in Regulation Posting are fulfilled. Cboe Clear may in its sole discretion decide to Accept a Trade for which the Postings do not fulfil the conditions that are specified in Regulation Posting; e.g. in a situation of technical malfunction.

### **4.2 Posting**

Cboe Clear will only Accept Trades for which the matching Postings have been provided by Clearing Members that have received permission to submit Postings to Cboe Clear, pursuant to Regulation Posting, or by an SFT Posting Provider.

### **4.3 Trade limits**

Cboe Clear may impose limits on the value and number of Trades it will Accept in relation to a Clearing Member. When these limits are breached, Cboe Clear can suspend the Acceptance of new Trades for the account of a Clearing Member and Cboe Clear will inform the relevant SFT Posting Providers and all other Clearing Members active in SFT Clearing of such suspension.

### **4.4 Refused Trades**

If Cboe Clear does not Accept a Trade, Cboe Clear shall, within 60 minutes after receipt of the Postings in respect of such Trade, inform the SFT Posting Provider and the relevant Clearing Members of the refusal and provide the reason for the refusal.

## **5. SFTs**

### **5.1 Consequence of Acceptance of a Trade**

Each Clearing Member agrees that, based on the information contained in the Postings in respect of each Trade that is Accepted by Cboe Clear, (i) one or more binding SFTs will arise between Cboe Clear and the Clearing Member that is specified in the Postings to be the Lender and (ii) one or more binding SFTs will arise between Cboe Clear and the Clearing Member that is specified in the Postings to be the Borrower. In the Clearing Rules, references to an SFT and the Related SFT may refer to an SFT and more than one Related SFTs or several SFTs and a single Related SFT (depending on the number of Postings matched as part of the Acceptance of the Trades) and references to an SFT, a Related SFT or any rights and obligations relating to such SFT or Related SFT shall be construed accordingly.

### **5.2 Communications between Clearing Member and Cboe Clear**

All instructions and communication from Clearing Member to Cboe Clear in relation to an SFT will be in the form of a Posting from the Clearing Member (provided such Clearing Member has received permission to submit Postings to Cboe Clear) or from the SFT Posting Provider, which must be the SFT Posting Provider that submitted the

Posting in respect of the Trade relating to such SFT to Cboe Clear on behalf of Clearing Member.

### 5.3 SFT Lifecycle Events

SFT Lifecycle Events can be instructed in respect of each SFT in accordance with Regulation SFT Lifecycle Events. Unless otherwise specified in Regulation SFT Lifecycle Events, an amendment to an SFT will simultaneously be made to that SFT and its Related SFT. If an SFT Lifecycle Event is instructed in respect of an SFT which relates to only a part of a Related SFT, the Related SFT will be amended to reflect the occurrence of the SFT Lifecycle Event in respect of that portion of the Related SFT related to the SFT.

### 5.4 Recall and Return of a Fixed Term SFT

5.4.1 Until the end of the agreed term of a Fixed Term SFT (or if the term ends earlier pursuant to article 5.4.5 of this chapter 3), the SFT and the Related SFT may only be the subject of:

- a) a Recall with the consent of the Borrower in respect of the Related SFT; and
- b) a Return with the consent of the Lender in respect of the Related SFT.

5.4.2 Cboe Clear will not accept a Posting which specifies a Return in respect of a Fixed Term SFT with a Settlement Date that is after the Ex-Date and before or on the Record Date of a Loaned Security.

5.4.3 The instruction for a Return in respect of a Fixed Term SFT will automatically be cancelled if and insofar as the Return has not settled at close of business on the Settlement Date specified in the Posting in respect of the Return.

5.4.4 At or after the end of the agreed term of a Fixed Term SFT (or if the term ends earlier pursuant to article 5.4.5 of this chapter 3), the Lender in respect of such SFT can unilaterally instruct a Recall in respect of such SFT and the Related SFT and the Borrower in respect of such SFT can unilaterally instruct a Return in respect of such SFT and of the Related SFT. If an instruction to Recall or Return a Fixed Term SFT and its Related SFT is not received by Cboe Clear by the end of their term (or if the term ends earlier pursuant to article 5.4.5 of this chapter 3), the SFT and the Related SFT will continue as Open Term SFTs.

5.4.5 Upon the issuance of a Notice of Default in relation to a Clearing Member, the term of each Fixed Term SFT where such Clearing Member is the Lender or the Borrower (and each Related SFT) will end and such Fixed Term SFT and the Related SFT will each become and continue as Open Term SFTs.

5.4.6 For each Related SFT whose term is ended pursuant to article 5.4.5 of this chapter 3, the Defaulting Clearing Member shall pay to Cboe Clear an amount equal to the Break Costs (if any) in relation to each such Related SFT which amounts Cboe Clear shall pay to:

- a) where such Defaulting Clearing Member is the Lender, the Borrower under the Related SFT; or

b) where such Defaulting Clearing Member is the Borrower, the Lender under the Related SFT.

## 5.5 Recall and Return of an Open Term SFT

5.5.1 The Lender in respect of an Open Term SFT can unilaterally instruct a Recall in respect of that SFT and the Related SFT if such Recall has a Settlement Date that is two or more Clearing Days after the date of the Posting in respect of such Recall.

5.5.2 The Lender in respect of an Open Term SFT can only instruct a Recall in respect of that SFT and the Related SFT with the consent of the Borrower in respect of the Related SFT if such Recall has a Settlement Date that is less than two Clearing Days after the date of the Posting in respect of such Recall.

5.5.3 The Borrower in respect of an Open Term SFT can unilaterally instruct a Return in respect of that SFT and the Related SFT.

5.5.4 Cboe Clear will not accept a Posting which specifies a Return with a Settlement Date that is after the Ex-Date and before or on the Record Date of a Loaned Security.

5.5.5 The instruction for a Return will automatically be cancelled if and insofar as the Return has not settled at close of business on the Settlement Date specified in the Posting in respect of the Return.

## 5.6 Reallocation

5.6.1 A Special Clearing Member can request the Reallocation of an SFT, in part or in whole, to another Special Clearing Member by means of contract take-over (*contractsoverneming*), provided that both the transferring and receiving Special Clearing Members are represented by the same Agent and that the further requirements for such reallocation set out in Regulation SFT Lifecycle Events are complied with. On acceptance of the Posting requesting such Reallocation by Cboe Clear, the existing SFT between Cboe Clear and the existing Special Clearing Member will be terminated in whole or in part (as per the terms of the Posting) and a new SFT equivalent to the terms of the terminated SFT will be entered into by Cboe Clear and the new Special Clearing Member in accordance with Regulation SFT Settlement.

5.6.2 The Special Clearing Members shall procure that the Posting in respect of the Reallocation is received by Cboe Clear on the proposed date on which the Reallocation will take place. Cboe Clear will not accept Postings requesting Reallocations on dates in the past or future.

## 6. RQV

### 6.1 RQV Assets

6.1.1 RQV Assets may either be in the form of a single Approved RQV Currency, a single Approved RQV Security or any of the pools of Approved Securities and/or Approved RQV Currencies specified in an RQV Schedule. In the Postings in respect of a Trade, the Approved RQV Currencies or Approved RQV Securities in which the RQV Assets must be provided or the RQV Schedule from which the RQV Assets must be provided, must be specified.

6.1.2 In relation to an SFT for which the Lender is a Special Clearing Member and the Related SFT, RQV Assets may only be delivered in the form of Approved RQV Securities and not in the form of Approved RQV Currencies.

6.2 RQV Schedules

Cboe Clear will publish RQV Schedules that list pools of Approved RQV Securities and/or Approved RQV Currencies that can be delivered as RQV Assets as annexes to Regulation RQV. If an RQV Schedule is specified in the Postings in respect of a Trade as applying to the SFT and the Related SFT resulting from such Trade, the RQV Assets for the SFT and the Related SFT may consist of any combination of the Approved RQV Securities and/or Approved RQV Currencies listed in such RQV Schedule.

6.3 Marking to market

6.3.1 On each Clearing Day, Cboe Clear will calculate the Value of Loaned Securities and the RQV in respect of each Closing Leg.

6.3.2 On each Clearing Day, Cboe Clear will determine the Value of the RQV Assets in the form of Approved RQV Securities transferred or pledged (as applicable) to Lender or Cboe Clear (in its capacity as lender), as applicable in respect of each Closing Leg in respect of which Equivalent RQV Assets have not been transferred to Borrower or Cboe Clear (in its capacity as borrower).

6.3.3 If, on a Clearing Day, there is an RQV Excess under an SFT and a Related SFT:

- i. if the Lender under the SFT is a Standard Clearing Member or a Pledge-Back Lender, the Lender shall deliver Equivalent RQV Assets equal in Value to the RQV Excess to Cboe Clear (subject to, in the case of a Pledge-Back Lender, Cboe Clear having released the Security granted over such RQV Excess in its favour); or
- ii. if the Lender under the SFT is a Pledgee Lender, the Lender shall release an amount of RQV Assets equal in Value to the RQV Excess from the security granted in its favour,

after receipt of such RQV Assets in accordance with (i) or the relevant Security being released over the RQV Assets in accordance with (ii), Cboe Clear will transfer Equivalent RQV Assets to the Borrower under the Related SFT in satisfaction of its own obligation to transfer Equivalent RQV Assets equal to the RQV Excess as the lender under such Related SFT. In each case, RQV Assets and Equivalent RQV Assets shall be delivered in accordance with the terms and other conditions as specified in Regulation SFT Settlement.

6.3.4 If, on a Clearing Day, there is an RQV Shortfall under an SFT and a Related SFT, the Borrower in respect of such SFT shall deliver RQV Assets equal to such RQV Shortfall to Cboe Clear by way of title transfer. Borrower shall deliver the RQV Assets in accordance with the terms and other conditions as specified in Regulation SFT Settlement. Upon receipt of such RQV Assets, Cboe Clear will transfer RQV Assets or pledge RQV Assets, as the case may be, to the Lender under the Related SFT in satisfaction of its own obligation to transfer RQV Assets equal to the RQV Shortfall as the borrower under such Related SFT.

#### 6.4 Delivery of RQV Assets by Borrower

The Borrower must deliver RQV Assets to Cboe Clear in accordance with and to the accounts specified in Regulation SFT Settlement with full title and without any encumbrances. RQV Assets in the form of Approved RQV Securities must be delivered to the account of Cboe Clear with the TPCA specified in Regulation SFT Settlement. RQV Assets in the form of Approved RQV Currencies must be delivered to the account of Cboe Clear specified in Regulation SFT Settlement.

#### 6.5 Delivery of RQV Assets to a Standard Clearing Member

In respect of each SFT between Cboe Clear and a Lender that is a Standard Clearing Member, Cboe Clear will transfer the RQV Assets by way of title transfer to the accounts with the TPCA notified to Cboe Clear by the Lender in accordance with Regulation SFT Settlement. For the purpose hereof, the Borrower and the Lender in respect of an SFT and the Related SFT shall use the same TPCA in relation to RQV Assets in the form of Approved RQV Securities.

#### 6.6 Delivery of RQV Assets to a Special Clearing Member

6.6.1 For each SFT between Cboe Clear and a Lender that is a Pledgee Lender, Cboe Clear will transfer the RQV Assets to the Omnibus RQV Account in respect of that Lender and grant a security financial collateral arrangement in the form of a pledge over those RQV Assets to the Security Agent in respect of such Omnibus RQV Account for the benefit of the Lender.

6.6.2 For each SFT between Cboe Clear and a Lender that is a Pledge-Back Lender, Cboe Clear will transfer the RQV Assets to the Depository RQV Account in respect of that Lender, subject to the condition that (1) all assets held in such account on behalf of the relevant Pledge-Back Lender are and will be subject to a pledge over those RQV Assets for the benefit of Cboe Clear, under a security financial collateral arrangement, approved for such purpose by Cboe Clear and (2) remain in the account with the TPCA. Each Pledge-Back Lender agrees that (1) title to RQV Assets is transferred to that Pledge-Back Lender upon such RQV Assets being credited to the Depository RQV Account in respect of that Pledge-Back Lender and allocated to that Pledge-Back Lender by Cboe Clear, and such RQV Assets will be recorded to the credit of that Depository RQV Account and (2) the RQV Assets allocated to that Pledge-Back Lender by Cboe Clear may change from time to time as a result of re-allocations by Cboe Clear of RQV Assets credited to that Depository RQV Account as between that and other Pledge-Back Lenders in respect of that Depository RQV Account.

## 7. Opening Legs

#### 7.1 Calculation of RQV

On the Settlement Date for the Opening Leg of an SFT and the Related SFT specified in the Postings in respect of the related Trade, Cboe Clear will calculate the Value of the Loaned Securities in respect of the SFT and Related SFT on the basis of the close of business price on the relevant Trading Venue for such Loaned Securities on the trading day immediately preceding such Settlement Date and determine the RQV that must be delivered by the Borrower for the settlement of the Opening Leg of the Borrower pursuant to that Trade.

#### 7.2 Settlement of Opening Legs

7.2.1 Settlement of the Opening Leg of each SFT shall take place in accordance with Regulation SFT Settlement.

7.2.2 Each Clearing Member shall enable the timely settlement of Loaned Securities or RQV Assets (as applicable) on the Settlement Date specified in the Postings in respect of the relevant SFT (or the Trade related thereto), in accordance with Regulation SFT Settlement.

### 7.3 Cancellation of SFT

If after Acceptance of a Trade, not all required Loaned Securities or RQV Assets for the settlement of the Opening Legs of the SFT and Related SFT arising from such Accepted Trade have been received by Cboe Clear on Settlement Date plus 2 Clearing Days, such SFT and Related SFT shall automatically be cancelled (and no further obligations shall be owed by any party in respect of such SFT or Related SFT). Upon cancellation of the SFT and Related SFT, Cboe Clear shall (or shall procure) the return of Loaned Securities or RQV Assets Equivalent to any Loaned Securities or RQV Assets received from either the Lender or Borrower in respect of the SFT or Related SFT to the Lender or Borrower (as applicable).

### 7.4 Margin

Simultaneously with the settlement of the Opening Leg in respect of each SFT, Cboe Clear will require each Standard Clearing Member to transfer Initial Margin and Variation Margin in accordance with chapter 1.

## 8. Closing Leg

8.1 Settlement of the final or partial exchange under the Closing Leg of each SFT shall take place in accordance with Regulation SFT Settlement.

8.2 Each Clearing Member shall enable the timely settlement of Equivalent Loaned Securities or Equivalent RQV Assets (as applicable) on the Settlement Date in respect of the final exchange under the Closing Leg in accordance with Regulation SFT Settlement.

## 9. Other terms applicable to SFTs

### 9.1 Rate and Rebate

9.1.1 The rates to be used to calculate Rate and Rebate, respectively, in respect of each SFT and Related SFT will be specified in the Postings in relation to a Trade in the form of a percentage rate. Minimum Rate or Rebate and other alternative forms of Rate or Rebate may not be specified.

9.1.2 Rate shall be paid in cash in euro. Rebate may be agreed in the relevant Postings, to be paid in cash in euro or in the currency of the RQV Assets for such SFT and Related SFT.

9.1.3 Rate and Rebate will accrue on a daily basis during the term of the Closing Leg from and including the Settlement Date of the Opening Leg to but excluding the Settlement Date of the Closing Leg and will be calculated and settled in accordance with Regulation SFT Settlement.

### 9.2 Substitution of RQV Assets

9.2.1 If an RQV Schedule has been specified to apply in the Postings in respect of a Trade, the Borrower is entitled, at any time, to request the substitution

of certain assets provided as RQV Assets in relation to an SFT, with other assets that have been specified in the same RQV Schedule.

9.2.2 Upon receipt of such request from Borrower, the parties acknowledge that the TPCA will facilitate the substitution of RQV Assets in respect of such SFT and the Related SFT.

9.3 Delegated SFTR reporting

9.3.1 As an optional service, Cboe Clear will offer SFTR reporting services to Clearing Members as per the Regulation Delegated Reporting.

## **10. Fails**

10.1 Settlement by Cboe Clear

10.1.1 Cboe Clear shall not be obliged to make delivery (or make a payment as the case may be) to a Clearing Member in respect of the Opening Leg or Closing Leg in relation to an SFT unless it is satisfied that the Clearing Member will make any delivery or payment it owes to Cboe Clear in respect of the Opening Leg or Closing Leg (as applicable) in relation to the same SFT.

10.1.2 Cboe Clear will not be liable, unless due to the direct result of negligence of Cboe Clear or an intentional act or omission on the part of Cboe Clear, to Clearing Member if any payment or delivery is not made in accordance with Regulation SFT Settlement and Cboe Clear shall be discharged of its payment or delivery obligation towards Clearing Member once such payment or delivery has taken place (regardless of the manner in which such payment or delivery is made).

10.2 Fail by Clearing Member

In case of a Fail by Clearing Member, Clearing Member shall pay to Cboe Clear all Losses incurred or suffered by Cboe Clear in relation to such Fail and any other costs, fees and penalties in respect of such Fail set out in Regulation Fees and Penalties. In addition, Cboe Clear may (in addition to, or instead of, the steps available to it following a Breach under chapter 1 take the steps in relation to such Fail as set out in Regulation Buy-In.

## **11. Corporate actions**

11.1 Following a Corporate Action in relation to Loaned Securities, Cboe Clear may take any of the actions specified in Regulation Corporate Actions.

11.2 Clearing Member agrees that all Losses and costs (including any taxes that will become due) related to Corporate Actions, shall be paid (or, if paid by Cboe Clear, reimbursed) to Cboe Clear by the applicable Clearing Member in accordance with Regulation Corporate Actions.

## **12. Transaction tax**

If a Lender or Cboe Clear is required to pay any form of transaction tax (which includes stamp duty, transfer tax and other transaction related tax) or other tax or costs, that are not provided for otherwise in the Clearing Rules in relation to Loaned Securities or RQV Assets that are the subject of an SFT, the Borrower under the Related SFT will, at the first request of Cboe Clear, pay the amount of such tax or costs to Cboe Clear after

which Cboe Clear will pay the transaction tax or, in case the transaction tax has to be paid by Lender under the SFT, forward the amount to the Lender.

### **13. Re-use of Loaned Securities and RQV Assets**

Cboe Clear may receive both Loaned Securities and RQV Assets by way of title transfer and may transfer Loaned Securities and RQV Assets by way of title transfer in respect of each SFT (to the extent applicable). For the risks and consequences that may be involved in the use and re-use of assets, Cboe Clear refers to the SFTR Information Statement that can be found on the website of Cboe Clear.

## Appendix 1 – List of Regulations

- 1) Regulation Acceptable Collateral;
- 2) Regulation Buy-in Procedure;
- 3) Regulation Clearing Days;
- 4) Regulation Clearing Members;
- 5) Regulation Collateral;
- 6) Regulation Complaints;
- 7) Regulation Corporate Actions;
- 8) Regulation Default Fund;
- 9) Regulation Delegated Reporting;
- 10) Regulation Fees and Penalties;
- 11) Regulation Interoperability Fund;
- 12) Regulation Liquidity Measures;
- 13) Regulation Margin;
- 14) Regulation Portability;
- 15) Regulation Posting;
- 16) Regulation RQV;
- 17) Regulation Securities Default Handling;
- 18) Regulation Securities;
- 19) Regulation Settlement;
- 20) Regulation SFT Lifecycle Events;
- 21) Regulation SFT Settlement;
- 22) Regulation Statement of Authority; and
- 23) Regulation Trade Refusal.