Cboe Clear SM

Regulation SFT Settlement

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1. Introduction

1.1 Regulation

This Regulation SFT Settlement is a Regulation as defined in the Clearing Rule Book.

1.2 Definitions

1) Capitalised terms used in this Regulation shall have the meaning given thereto the Clearing Rule Book; and

2) "**PARQ Qualifier**" means the identifier in a settlement instruction that indicates that partial settlement is permitted by a CSD.

1.3 Effective date

This Regulation comes into force on 20 March 2025 and replaces any prior version of Regulation SFT Settlement.

1.4 Purpose

This Regulation SFT Settlement sets out certain details and specifications relating to the transfer and/or payment (as applicable) of Loaned Securities, RQV Assets, Rate, Rebate and settlements in respect of Corporate Actions between Clearing Participants and Cboe Clear in respect of their SFTs.

2. Settlement Date

1) The Settlement Date for the Opening Leg of an SFT and the Related SFT shall be set out in the Posting in respect of the related Trade.

2) The Settlement Date for the Closing Leg of a Fixed Term SFT and the Related SFT shall be:

   a) the last Clearing Day during the term of such SFT, if instructed in a Posting unilaterally by the Borrower or the Lender; or

   b) an earlier date specified in a Posting instructing a Recall or a Return (or otherwise determined by Cboe Clear as being the Settlement Date in respect of the Recall or Return in accordance with the Clearing Rules).

3) The Fixed Term SFT will be automatically converted into Open Term SFT on the last Clearing Day during the term of such SFT if neither the Borrower nor the Lender have instructed a Recall or Return during the term of such SFT.

4) The Settlement Date for the Closing Leg of an Open Term SFT and the Related SFT shall be the date specified in a Posting instructing a Recall or a Return (or otherwise determined by Cboe Clear as being the Settlement Date in respect of the Recall or Return in accordance with the Clearing Rules).

5) The Posting in respect of the Settlement Date for the Closing Leg of an SFT may specify such Settlement Date as being:

a) on the same Clearing Day as the Posting is submitted to Cboe Clear in respect of such settlement (provided that Cboe Clear shall only be obligated to process any settlement requests received on the Settlement Date on a reasonable efforts basis and, in case of failure by Cboe Clear to settle on the same Clearing Day, the Settlement Date will be the next Clearing Day); or

b) on a future Clearing Day (provided that such Settlement Date is no later than 370 Clearing Days after the day of the Posting).

3. Settlement locations

In order to settle Loaned Securities, RQV Assets, Rates, Rebates and proceeds of Corporate Actions in the form of cash or securities, Clearing Participants are required to provide Cboe Clear with standard settlement instructions ("**SSIs**"), including details of the relevant cash, securities and RQV accounts of the Clearing Participants. The SSIs should be completed in Cboe Clear's static data and authorisation forms during the onboarding process for each Clearing Participant (or as subsequently updated by Notice from such Clearing Participant to Cboe Clear), allowing Cboe Clear to debit or credit cash directly from the Clearing Participant's bank accounts, or give delivery instructions in respect of the settlement of securities between Cboe Clear and each Clearing Participant's accounts (whether at the TPCA or otherwise).

Cboe Clear's SSIs are published from time to time on the website of Cboe Clear.

4. Settlement

All settlements (other than settlements of RQV Assets in the form of securities) will be performed by Cboe Clear under the settlement authority received by Cboe Clear from Clearing Participant during the onboarding process (or such replacement settlement authority by Notice by such Clearing Participant to Cboe Clear), by way of direct debit from or credit to or from the accounts specified for that purpose by Clearing Participant. All settlements of RQV Assets in the form of securities will be performed by the relevant TPCA(s).

Each Clearing Participant shall fund their accounts (as further described above) with the relevant cash or assets required in order to fulfil their settlement obligations as described in this article 4.

4.1 Settlement of Opening Legs

1) After Acceptance of a Trade, Cboe Clear will instruct the settlement of the Opening Legs of the SFT and Related SFT in relation to such Trade on the Settlement Date specified in the Postings in respect of such Trade.

2) On the Settlement Date for the Opening Leg of the SFT and Related SFT the following steps will occur in the order set out below:

   a) the Borrower shall deliver the required amount of RQV Assets in respect of an SFT (as notified by Cboe Clear to Borrower) to Cboe Clear's account by way of title transfer;

   b) if the Lender under the Related SFT is:

      i. a Pledgee Lender:

         (1) Cboe Clear will transfer the RQV Assets by way of title transfer to the Omnibus RQV Account in respect of that Lender and grant Security in the form of a pledge over those RQV Assets to the relevant Security Agent in respect of such Omnibus RQV Account for the benefit of the Lender;

         (2) the Pledgee Lender shall deliver Loaned Securities to Cboe Clear in respect of the Related SFT; and

         (3) upon settlement of the transfer of Loaned Securities by Lender to Cboe Clear and RQV Assets by Cboe Clear to Lender under the Related SFT, Cboe Clear shall transfer Loaned Securities to Borrower under the SFT; or

      ii. a Pledge-Back Lender:

         (1) the Lender shall transfer Loaned Securities under the Related SFT to Cboe Clear by way of title transfer to the account of Cboe Clear which account will be subject to Security in the form of a pledge over those RQV Assets for the benefit of the relevant Security Agent;

         (2) Cboe Clear will transfer the RQV Assets under the Related SFT to the Depositary RQV Account in respect of that Lender, subject to the condition that all assets held in such account on behalf of the relevant Pledge-Back Lender are and will be subject to Security in the form of a pledge over those RQV Assets for the benefit of Cboe Clear; and

         (3) upon settlement of the transfer of Loaned Securities by Lender to Cboe Clear and delivery of the RQV Assets by Cboe Clear to Lender under the Related SFT, Cboe Clear shall transfer Loaned Securities to Borrower under the SFT; or

      iii. a Standard Clearing Participant:

         (1) the Lender shall transfer Loaned Securities under the Related SFT to Cboe Clear by way of title transfer to the account of Cboe Clear;

         (2) Cboe Clear shall transfer RQV Assets under the Related SFT to the Lender by way of title transfer to the account of the Lender and, in the case of RQV Assets in the form of Approved RQV Securities, such

transfer will be settled simultaneously with the transfer of Loaned Securities pursuant to iii,(1) above; and

(3) upon settlement of the transfers in iii,(1) and iii,(2) above, Cboe Clear shall transfer Loaned Securities to Borrower under the SFT; and

c) Cboe Clear will attempt settlement of the Opening Legs in respect of an SFT and the Related SFT until the end of the second Clearing Day after the Settlement Date for such Opening Legs specified in the Postings in respect of the related Trade.

4.2 Rate and Rebate

1) The Rate and Rebate in relation to an SFT and the Related SFT will accrue on a daily basis from (and including) the date on which the Opening Legs of such SFT and Related SFT are settled to (and including) 1 calendar day prior to the date on which on which the Closing Legs of such SFT and Related SFT are settled.

2) The Rate and Rebate will be calculated in arrears, with respect to each calendar month or any shorter applicable period in the case of the final calculation of Rate and Rebate on the 5th Clearing Day of the next calendar month (the "**Calculation Date**").

3) If the Rate and Rebate calculated on a Calculation Date are payable in the same currency in respect of a single SFT, the relevant Clearing Participant's and Cboe Clear's obligation to pay such Rate and Rebate shall be set-off such that only the balance shall be payable by the party owing the greater amount.

4) In respect of an SFT and the Related SFT, Cboe Clear shall debit the amount of Rate, Rebate or net amount (as calculated in accordance with sub-paragraph (3) above) from the account of the Clearing Participant who owes such amount under an SFT and credit such amount to Cboe Clear's account. On receipt of such amount by Cboe Clear, Cboe Clear shall transfer such amount from its account to the account of the Clearing Participant to whom such amount is owed under the Related SFT.

5) Rate on Loaned Securities and Rebate on RQV Assets for an SFT and the Related SFT on any day are calculated as follows:

   a) the Value of the Loaned Securities or the RQV Assets transferred to Lender or Cboe Clear (as applicable) in respect of which Equivalent RQV Assets have not been transferred by Lender or Cboe Clear (as applicable) to Cboe Clear or Borrower (as applicable); multiplied by

   b) the percentage rate for such Rate or Rebate as specified in the Postings in respect of the Trade related to such SFT and Related SFT (and as may be amended by subsequent matching Postings); multiplied by

   c) the applicable day count fraction of 1/360.

4.3 RQV Excess and RQV Shortfall

1) If there is an RQV Excess or an RQV Shortfall in respect of an SFT and a Related SFT on any Clearing Day, Cboe Clear shall notify the Clearing Participants which are party to such SFT or Related SFT of the same before 07:00 CE(S)T on the next Clearing Day.

2) If Cboe Clear notifies the Clearing Participants party to an SFT or the Related SFT of an RQV Excess in respect of that SFT and the Related SFT:

   a) if the Lender under the SFT is:

      i. a Standard Clearing Participant or a Pledge-Back Lender, the Lender shall deliver Equivalent RQV Assets with a Value that is equal to the RQV Excess to the RQV account of Cboe Clear (and Cboe Clear hereby agrees that the security granted over such Equivalent RQV Assets by the Pledge-Back Lender in its favour shall automatically be released upon the delivery to Cboe Clear of such Equivalent RQV Assets to the RQV account of Cboe Clear); or

      ii. a Pledgee Lender, an amount of RQV Assets equal in Value to the RQV Excess shall be released from the pledge in favour of the Pledgee Lender; and

   b) following the transfer of the Equivalent RQV Assets pursuant to paragraph (a)(i) above or the relevant security being released over the RQV Assets in accordance with paragraph (a)(ii) above, Cboe Clear shall deliver, by title transfer, Equivalent RQV Assets in the amount of the RQV Excess to the RQV account of the Borrower under the Related SFT.

3) If Cboe Clear notifies the Clearing Participants party to an SFT or the Related SFT of an RQV Shortfall in respect of that SFT and the Related SFT:

   a) the Borrower under the SFT shall deliver, by title transfer, RQV Assets with a Value equal to the RQV Shortfall to the RQV account of Cboe Clear; and

   b) following the receipt of such RQV Assets from the Borrower in respect of the SFT, Cboe Clear shall:

      i. if the Lender for the Related SFT is a Standard Clearing Participant, deliver such RQV Assets by title transfer to the RQV account of that Lender; or

      ii. if the Lender for the Related SFT is a Pledge-Back Lender, deliver such RQV Assets by title transfer to the Depositary RQV Account of such Lender , under the condition that it is immediately pledged in favour of Cboe Clear; or

      iii. if the Lender for the Related SFT is a Pledgee Lender, pledge such RQV Assets in favour of the Pledgee Lender.

4) The delivery by Lender of Equivalent RQV Assets to cover any RQV Excess or the delivery by Borrower of RQV Assets to cover any RQV Shortfall (whether by way of title transfer, pledge or release of security) pursuant to this article 4.3 shall be made before the earlier of 8:30 CE(S)T or 90 minutes after Cboe Clear has notified Clearing Participant of such RQV Excess or RQV Shortfall, provided that, if the delivery of such RQV Excess or RQV Shortfall is requested to be made outside the Opening Hours of Cboe Clear, such delivery shall be made no earlier than 7:00 CE(S)T.

5) Partial settlement of any RQV Shortfall or RQV Excess is not permitted.

6) Notwithstanding the description of the operational steps set out in clauses (2) and (3) above as sequential or contingent on the completion of any previous step, Cboe Clear is obligated to deliver (or pledge, as applicable):

    a. the relevant RQV Assets to the relevant Lender even if the relevant Borrower fails to deliver the relevant RQV Assets pursuant to clause (3) above; and

    b. the relevant Equivalent RQV Assets to the relevant Borrower even if the relevant Lender fails to deliver the relevant Equivalent RQV Assets to Cboe Clear or the relevant RQV Assets are not released from the Pledge (as applicable), in each case pursuant to clause (2) above.

4.4 Substitution of RQV Assets

Substitution of RQV Assets in the form of securities will be effected by the TPCA where the RQV Assets are held. The Borrower in respect of an SFT shall ensure that the replacement RQV Assets have been transferred to its account with the TPCA prior to giving the instruction to the TPCA to substitute. Upon receipt of instructions from the Borrower (and provided the Borrower has provided the replacement RQV Assets), the TPCA will effect the requested substitution of RQV Assets in respect of the SFT and the Related SFT.

4.5 Settlement of Reallocations

4.5.1 Reallocation prior to settlement of the Opening Leg

If Postings instructing the Reallocation of an SFT (or part thereof) have been received by Cboe Clear from the transferring and receiving Special Clearing Participants prior to the settlement of the Opening Legs of such SFT, Cboe Clear will in its books and records transfer the SFT (of part thereof, as instructed) from the existing Special Clearing Participant to the new Special Clearing Participant and settle the Opening Leg (for such part) with the new Special Clearing Participant.

4.5.2 Reallocation after settlement of the Opening Leg

If Postings instructing the Reallocation of an SFT (or part thereof) have been received by Cboe Clear from the transferring and receiving Special Clearing Participants after the settlement of the Opening Leg of that SFT, Cboe Clear will settle the Opening Leg with

the existing Special Clearing Participant. Immediately after settlement of the Opening Leg, Cboe Clear will effect the Reallocation of the SFT (or part thereof, as instructed) in accordance with "Reallocation of SFT" below.

4.5.3 Reallocation of SFT

If an SFT is reallocated after the settlement of the Opening Leg in respect of such SFT:

1) if the Special Clearing Participants are Pledgee Lenders and the transferring Pledgee Lender agrees that the RQV Assets related to the SFT (or part thereof) shall be reallocated, Cboe Clear shall update its books and records to reflect the transfer of the SFT (or part thereof) and related RQV Assets to the receiving Pledgee Lender within the Omnibus RQV Account; and

2) if the Special Clearing Participants are Pledge-Back Lenders, Cboe Clear agrees that the RQV Assets related to the SFT in the Depositary RQV Account shall be released from the pledge in favour of Cboe Clear, Cboe Clear shall each update their books and records to reflect the transfer of the SFT and related RQV Assets to the receiving Pledge-Back Lender and the Pledge-Back Lender shall grant a pledge over such RQV Assets in favour of Cboe Clear.

4.6 Settlement of Closing Legs

1) Cboe Clear will instruct the settlement of the Closing Legs of an SFT and the Related SFT on the Settlement Date set for such Closing Legs pursuant to article 2 above.

2) On the Settlement Date of the Closing Leg of the SFT and Related SFT the following steps will occur in the order set out below:

   a) the Borrower under an SFT shall deliver, by title transfer, Equivalent Loaned Securities to Cboe Clear's account; then

   b) If the Lender under the Related SFT is:

   i) a Pledgee Lender:

      (1) Cboe Clear shall transfer Equivalent Loaned Securities by way of title transfer to the relevant account of the Pledgee Lender under the Related SFT; then

      (2) the Pledgee Lender hereby agrees that the RQV Assets in the Omnibus RQV Account related to the Related SFT shall be released from the pledge in favour of the Pledgee Lender (and the TPCA shall transfer Equivalent RQV Assets to the relevant Cboe Clear account); then

      (3) Cboe Clear shall transfer Equivalent RQV Assets to the Borrower under the SFT; or

   ii) a Pledge-Back Lender:

      (1) Cboe Clear hereby agrees that the RQV Assets in the Depositary RQV Account related to the Related SFT shall be released from the pledge in

favour of Cboe Clear and the Lender (or the TPCA) shall deliver Equivalent RQV Assets to Cboe Clear's account; then

(2) Cboe Clear shall transfer Equivalent Loaned Securities by way of title transfer to the relevant account of the Lender under the Related SFT; then

(3) Cboe Clear shall transfer Equivalent RQV Assets to the Borrower under the SFT; or

iii) a Standard Clearing Participant:

(1) the Lender (or the TPCA) shall deliver, by title transfer, to Cboe Clear's account assets Equivalent to the RQV Assets transferred to the Lender by Cboe Clear in respect of which the Lender has not previously transferred Equivalent RQV Assets to Cboe Clear; then

(2) Cboe Clear shall transfer Equivalent Loaned Securities by way of title transfer to the relevant account of the Lender under the Related SFT.

(3) Cboe Clear shall transfer Equivalent RQV Assets to the Borrower under the SFT.

3) Partial settlement of a Closing Leg is not permitted other than in relation to the settlement of a Return, whereby Cboe Clear is instructing the settlements where possible using the PARQ Qualifier in the settlement instructions to the CSDs and SSI of the Borrower it has been granted authorisation for.

4) In relation to the settlement of a Recall, Cboe Clear will attempt settlement of Closing Legs in respect of an SFT and the Related SFT until the end of the fourth Clearing Day after the Settlement Date, after which Cboe Clear may initiate a buy-in procedure pursuant to Regulation Buy-in Procedure.

5) Notwithstanding the description of the operational steps set out in clause (2) above as sequential or contingent on the completion of any previous step, on the Settlement Date of the Closing Leg of the relevant SFT and Related SFT referred to in clause (2) above, Cboe Clear is obligated to deliver:

a. the relevant Equivalent Loaned Securities to the relevant Lender even if the relevant Borrower fails to deliver the relevant Equivalent Loaned Securities pursuant to clause (2) above; and

b. the relevant Equivalent RQV Assets to the relevant Borrower even if the relevant Lender fails to deliver the relevant Equivalent RQV Assets to Cboe Clear or the relevant RQV Assets are not released from the pledge (as applicable), in each case pursuant to clause (2) above.