

SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): _____

Organization: ICE Clear Europe Limited

Filing as a: ☐ DCM ☐ SEF ☒ DCO ☐ SDR Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 04/28/2016 Filing Description:

Amendments to Clearing Procedures Relating to Positions of Clearing Member Affiliates

SPECIFY FILING TYPE Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- | | |
|--|------------|
| <input checked="" type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Notification | § 40.6(d) |
| <input type="checkbox"/> Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> SIDCO Emergency Rule Change | § 40.10(h) |

Rule Numbers: Clearing Procedures paragraphs 2-3

New Product

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- | | |
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| <input type="checkbox"/> Certification | § 40.2(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.23(a) |
| <input type="checkbox"/> Certification Swap Class | § 40.2(d) |
| <input type="checkbox"/> Approval | § 40.3(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.23(b) |
| <input type="checkbox"/> Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> Swap Submission | § 39.5 |

Official Product Name: _____

Product Terms and Conditions (product related Rules and Rule Amendments)

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|--|----------------------|
| <input type="checkbox"/> Certification | § 40.6(a) |
| <input type="checkbox"/> Certification Made Available to Trade Determination | § 40.6(a) |
| <input type="checkbox"/> Certification Security Futures | § 41.24(a) |
| <input type="checkbox"/> Delisting (No Open Interest) | § 40.6(a) |
| <input type="checkbox"/> Approval | § 40.5(a) |
| <input type="checkbox"/> Approval Made Available to Trade Determination | § 40.5(a) |
| <input type="checkbox"/> Approval Security Futures | § 41.24(b) |
| <input type="checkbox"/> Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> "Non-Material Agricultural Rule Change" | § 40.4(b)(5) |
| <input type="checkbox"/> Notification | § 40.6(d) |

Official Name(s) of Product(s) Affected: _____

Rule Numbers: _____

April 28, 2016

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: ICE Clear Europe Self-Certification Pursuant to Commission Rule 40.6:
Amendments Relating to Account Categories for Positions of Clearing
Member Affiliates

Dear Mr. Kirkpatrick:

ICE Clear Europe Limited (“ICE Clear Europe” or the “Clearing House”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, the amendments to its Clearing Procedures discussed herein. The amendments are to become effective on the business day following the tenth business day after submission, or such later date as ICE Clear Europe may determine.

Concise Explanation and Analysis

ICE Clear Europe submits proposed amendments to its Clearing Procedures to clarify the account categories in which positions of affiliates of Clearing Members are to be maintained, in light of applicable US and EU regulatory requirements.

Under the Commission’s rules, the positions of an affiliate of a futures commission merchant (“FCM”) are considered “proprietary” for purposes of segregation requirements and thus cannot be held in a customer account carried by the FCM.¹ As a result, FCMs, including FCM/BD Clearing Members, carry such positions in their proprietary accounts. However, under the European Market Infrastructure Regulation

¹ See, e.g., 17 C.F.R. Sections 1.3(y), 1.20(e)(2).

(“EMIR”)², when applicable to ICE Clear Europe, a clearing member will be required to treat an affiliate as a client³ for various purposes, and accordingly positions of the affiliate should be held in a separate account from the proprietary positions of the clearing member.⁴

ICE Clear Europe proposes to establish new position-keeping accounts for use by FCM/BD Clearing Members for positions of their affiliates, which will be separate from the clearing member’s own positions (and thus satisfy the EMIR requirement) but at the same time will not be customer accounts for purposes of applicable requirements under the Commission’s regulations.

Specifically, ICE Clear Europe proposes to amend paragraph 2.3(b) of the Clearing Procedures to establish new position-keeping accounts, labeled the “F” and “R” accounts, which will be required to be used for all positions of affiliates of FCM/BD Clearing Members. The “F” account will use a gross margin model (for positions in contracts margined on a gross basis under the Rules and Procedures); the “R” account will use a net margin model (for positions in contracts margined on a net basis under the Rules and Procedures). Both accounts will be treated as separate Proprietary Accounts for purposes of the Rules (and accordingly the accounts will not constitute Customer Accounts of the FCM/BD Clearing Member). New paragraph 2.3(f) has been added to provide a definition of “affiliate” for this purpose, based on the relevant definitions of proprietary accounts under Commission regulations.

Paragraph 2.3 has also been revised to clarify the treatment of positions of affiliates of Non-FCM/BD Clearing Members. Paragraph 2.3(c) has been revised to clarify that the Clearing House may establish additional position-keeping accounts for a Clearing Member to facilitate separate tracking of positions for each exchange non-clearing member for which the Clearing Member provides services. The revisions also clarify the treatment of such position-keeping accounts for exchange members as customer or proprietary, consistent with the requirements of the Rules and Clearing Procedures and applicable law.

Amendments to paragraph 3.1(a) of the Clearing Procedures provide for the margining of the “F” and “R” accounts of FCM/BD Clearing members as separate Proprietary Accounts. The summary table following paragraph 3.2 of the Clearing Procedures has been amended to conform to the other changes made in the Clearing Procedures.

² Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as well as various implementing regulations and technical standards.

³ EMIR Article 2(15). EMIR defines “client” as “an undertaking with a contractual relationship with a clearing member of a CCP which enables that undertaking to clear its transactions with that CCP,” which suggests that an affiliate can be a client of a clearing member. This understanding of a client is supported in other EU legislation such as MiFID (see Directive 2004/39/EC of the European Parliament and of the Council on 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC), and in UK case law where affiliates have consistently been treated as clients to whom regulatory obligations were owed. See *Re Lehman Brothers International (Europe) (in administration)* [2012] UKSC 6.

⁴ EMIR Article 39(4).

Compliance with the Act and Commission Regulations

The amendments to the Clearing Rules are potentially relevant to Core Principle F (Treatment of Funds), and the applicable regulations of the Commission thereunder.

- *Treatment of Funds.* The amendments are intended to update the Clearing House's Clearing Procedures to clarify the account categories to be used for positions of Clearing Member affiliates. Specifically, as a result of such changes, positions of affiliates of FCM/BD Clearing Members will be required to be held in a separate account from the Clearing Member's own positions, consistent with the EMIR requirements. Such separate account will, however, be treated as a Proprietary Account (and not a Customer Account) under the Rules and Procedures, consistent with the Commission's rules. In ICE Clear Europe's view, the amended Clearing Procedures are thus consistent with the requirements of Core Principle F and Commission Rule 39.15.

As described herein, the amendments consist of changes to the ICE Clear Europe Clearing Procedures. A copy of such revisions is attached hereto.

ICE Clear Europe hereby certifies that the changes comply with the Act and the Commission's regulations thereunder.

ICE Clear Europe has received no substantive opposing views in relation to the rule amendments.

ICE Clear Europe has posted a notice of pending certification and a copy of this submission on its website concurrent with the filing of this submission.

If you or your staff should have any questions or comments or require further information regarding this submission, please do not hesitate to contact the undersigned at patrick.davis@theice.com or +44 20 7065 7738, Dee Blake, Director of Regulation, at dee.blake@theice.com or +44 20 7065 7752 or Paul Swann, President & Managing Director, at paul.swann@theice.com or +44 20 7065 7700.

Very truly yours,



Patrick Davis
Head of Legal and Company Secretary

(I) CLEARING PROCEDURES

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~~7 December 2015~~
Draft: 7 April 2016

- (vi) input consolidation crosses in order to consolidate trades at various prices into average prices; and
 - (vii) view trading history and status of trades.
- (d) Clearing Members should refer to the ICE Systems user guides for more detailed information concerning the ICE Systems' functionality.
- (e) The ICE Systems will allow Clearing Members to perform the following functions, among others:
- (i) monitor Open Contract Positions;
 - (ii) close out open Contracts by netting off equal and opposite Contracts in its Customer Accounts;
 - (iii) process physical delivery of commodities pursuant to Futures Contracts;
 - (iv) review Margin requirements; and,
 - (v) exercise or abandon Option Contracts.
- (f) A number of reports are available in the ICE Systems, the list and details of which are available in the ICE Systems user guide.
- (g) In the event of any system errors or other systemic issues connected with the ICE Systems, Clearing Members should contact the Clearing House's operations department.
- (h) In the event of any processing errors or error in communications with the Clearing House, Clearing Members should contact the Clearing House's operations department.

2.3 Position keeping

- (a) Position-keeping activities are governed by Market Rules. In the event of any conflict between these Clearing Procedures and Market Rules in relation to position-keeping, Market Rules shall prevail.
- (b) Open Contract Positions can be maintained in several position-keeping accounts within the ICE Systems, identified in the ICE Systems by one letter as follows:

1. Position keeping-accounts linked to a Proprietary Account for purposes of the Rules (all Clearing Members):

- (i) H – house;
- (ii) L - individual trader (not available for FCM Clearing Members);
- (iii) D - default (trades not assigned to a specific sub-account or sought to be allocated but left unclaimed by another Clearing Member will automatically clear in the default sub-account);
- (iv) N – gross-maintained sub-account with no automatic contractual netting, ~~e.g. may be used by FCM/BD Clearing Members for transactions related to their Affiliates.~~
- (v) G – gas associate (not available for FCM Clearing Members);
- (vi) U – unallocated (for intra-day usage only);

- (vii) M –market maker (for Financials & Softs Contracts only); and
- (viii) such other sub-accounts as are made available to Clearing Members for Proprietary Accounts by the Clearing House.

2. Additional position-keeping accounts linked to a separate Proprietary Account from that under 2.3(b)(1), only for FCM/BD Clearing Members:

- (ix) F – this or the next position-keeping account shall be used for all positions related to affiliates of FCM/BD Clearing Members, which positions must not be recorded in any of the accounts referred to in 2.3(b)(1); uses a gross margin model.
- (x) R – or the previous position-keeping account shall be used for all positions related to affiliates of FCM/BD Clearing Members, which positions must not be recorded in any of the accounts referred to in 2.3(b)(1); uses a net margin model.

3. Position-keeping accounts linked to a Customer Account for FCM/BD Clearing Members:

- (xi) ~~(ix)~~ S (for F&O) - maps to the Non-DCM/Swap Customer Account or General Customer Account; uses a gross margin model;
- (xii) ~~(x)~~ E (for F&O) - maps to the Non-DCM/Swap Customer Account or General Customer Account, which if the same kind of Account will be to the same Account as that in S; uses a net margin model, and available for usage only in circumstances where net margin models are permissible under Applicable Laws;
- (xiii) ~~(xi)~~ W – maps to DCM Customer Account; uses a gross margin model; and
- (xiv) ~~(xii)~~ Z – maps to Swap Customer Account; uses a gross margin model.

~~3.4.~~ Position-keeping-accounts linked to a Customer Account for Non-FCM/BD Clearing Members which are regulated by the Financial Conduct Authority and to whom the client money rules in CASS apply:

- (xv) ~~(xiii)~~ S (for F&O) or C (for CDS or FX) – maps to a Segregated Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS or Segregated Customer Omnibus Account for FX which is different and separate from that in E, F or K, uses a gross margin model;
- (xvi) ~~(xiv)~~ E - maps to a different, separate Segregated Customer Omnibus Account for F&O from that in S, C, F or K, uses a net margin model;
- (xvii) ~~(xv)~~ F – maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS or Segregated Customer Omnibus Account for FX from that used for S, C, E or K; made available in order to assist in any desire for separate treatment for Customers that are ~~Affiliates but can be used for other groups of Segregated Customers~~ affiliates; uses a gross margin model;
- (xviii) ~~(xvi)~~ R – maps to a different, separate Segregated Customer Omnibus Account for F&O from that used for S, C, E or F; made available in order to assist in any desire for separate treatment for Customers that are ~~Affiliates but can be used for other groups of Segregated Customers~~ affiliates; uses a net margin model;
- (xix) ~~(xvii)~~ T – Segregated TTFFCA Customer – maps to Segregated TTFFCA Customer Omnibus Account for F&O, Segregated TTFFCA Customer Omnibus Account for CDS or Segregated TTFFCA Customer Omnibus Account for FX which is different and separate from that in R; uses a gross margin model;

- (xx) ~~(xxiii)~~ K – maps to a different, separate Segregated TTFCa Customer Omnibus Account for F&O from that used in T; uses a net margin model;
- (xxi) ~~(xix)~~ I – maps to Margin-flow Co-mingled Accounts for Segregated Customers; and
- (xxii) ~~(xx)~~ J . – maps to Margin-flow Co-mingled Accounts for Segregated TTFCa Customers.

Circular C08/032 applies only to the Accounts in S / C, E, F, K and I of such Non-FCM/BD Clearing Members.

4.5. Position-keeping -accounts linked to a Customer Account for a Clearing Member which is neither (i) an FCM/BD Clearing Member nor (ii) a Non-FCM/BD Clearing Members falling under (3.) above:

- (xxiii) ~~(xxi)~~ S (for F&O) or C (for CDS or FX) – maps to a Segregated Customer Omnibus Account for F&O, Segregated TTFCa Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCa Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCa Customer Omnibus Account for FX which is different and separate from that in E, F, K, T or R, uses a gross margin model;
- (xxiv) T – as S, but maps to a different, separate Customer Account from that in S, C, E, K, F or R;
- (xxv) ~~(xxii)~~ E - maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCa Customer Omnibus Account for F&O from that in S, C, ~~FT~~, K, ~~FE~~ or R; uses a net margin model;
- (xxvi) K – as E, but maps to a different, separate Account from that in S, C, T, E, F or R;
- (xxvii) ~~(xxiii)~~ F – maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated TTFCa Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCa Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCa Customer Omnibus Account for FX from that in S, C, T, E, K, ~~T~~ or R; made available in order to assist in any desire for separate treatment for Customers that are affiliates; uses a gross margin model;
- (xxviii) ~~(xxiv)~~ R – maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCa Customer Omnibus Account for F&O from that in S, C, E, F, T or K; made available in order to assist in any desire for separate treatment for Customers that are affiliates; uses a net margin model;
- ~~(xxv) T—maps to a different, separate Segregated Customer Omnibus Account for F&O, Segregated TTFCa Customer Omnibus Account for F&O, Segregated Customer Omnibus Account for CDS, Segregated TTFCa Customer Omnibus Account for CDS, Segregated Customer Omnibus Account for FX or Segregated TTFCa Customer Omnibus Account for FX from that in S, C, E, F, K or R; uses a gross margin model;~~
- ~~(xxvi) K—maps to a different, separate Segregated Customer Omnibus Account for F&O or Segregated TTFCa Customer Omnibus Account for F&O from that in S, C, E, F, R or T; uses a net margin model;~~
- (xxix) ~~(xxvii)~~ I – maps to Margin-flow Co-mingled Accounts; and

~~(xxx)~~ ~~(xxviii)~~ J. – maps to different Margin-flow Co-mingled Accounts to those in I.

- (c) Clearing Members may maintain separate position-keeping accounts for each Exchange member for whom they provide clearing services. Where this is the case, a series of additional position-keeping accounts of the Clearing Member that are referable solely to the Exchange member may be established within the Clearing House's systems. These Exchange member specific position-keeping accounts shall exist in addition to the position-keeping accounts of the Clearing Member (of which that Exchange member is a Customer) and may use some of the same terminal codes (e.g. N, H, U, S) or a different three-letter mnemonic from that of the Clearing Member. Notwithstanding paragraph 2.3(b) and even if the terminal codes of such position-keeping accounts would otherwise refer to a Proprietary Account of the Clearing Member under paragraph 2.3(b), such Exchange member-related position-keeping accounts shall all link solely to the relevant Customer Account of the Clearing Member in which the Exchange member is interested and will not link to the Clearing Member's Proprietary Account (unless the Clearing Member is an FCM/BD Clearing Member and the Exchange member is one in respect of which, under the Rules and Clearing Procedures, the Clearing Member may record positions in the Proprietary Account).
- (d) Where a Clearing Member holds accounts of Exchange members who are not Clearing Members, the mapping of these accounts to a Customer Account or Proprietary Account will be determined by the Clearing Member in conjunction with the relevant Market.
- (e) For Individually Segregated Sponsored Principal Accounts, it is assumed that only H, D, N, and U sub-accounts are needed and only these are made available in the absence of any written request for additional sub-accounts. Sponsored Principals wishing to clear for Customers through indirect clearing arrangements may request establishment of additional sub-accounts similar to those used for Customer Accounts of Clearing Members, according to their regulatory status.
- (f) In paragraph 2.3(b)(2), the term "affiliate" with respect to an FCM/BD Clearing Member means a Person (other than the FCM/BD Clearing Member) that is an owner or holder of a "proprietary account" (as defined in CFTC Rule 1.3) or "cleared swaps proprietary account" (as defined in CFTC Rule 22.1) carried by such FCM/BD Clearing Member. In paragraphs 2.3(b)(4) and 2.3(b)(5), the term "affiliate" means an undertaking that is in the same "group" (as defined in EMIR) as the Clearing Member.

2.4 Open Contract Positions and Close-outs

- (a) The H, L, M and G sub-accounts will only reflect net Open Contract Positions. Systematic netting will take place before any Option exercise or delivery allocation.
- (b) The N sub-account and all Customer Accounts hold gross Contracts, showing all sell and all buy positions that have not been netted or closed out (in the case of position-keeping sub-accounts linked to Customer Accounts to the extent that there is more than one Customer interested in the Account). The ICE Systems and Rule 406 allow Clearing Members to close out opposite Contracts that are held gross in certain circumstances. In order to ensure a true representation of Open Contract Positions, Clearing Members and Sponsored Principals may be required to perform manual close-outs (netting) in the sub-accounts where gross Open Contract Positions are maintained. Clearing Members and Sponsored Principals are responsible for inputting any required manual netting or close-out instructions in relation to such sub-accounts.
- (c) Any close-outs should be performed in a fashion and at a time in accordance with Exchange Rules and in any event before Options expire or delivery processes commence. Position transfers between sub-accounts in the ICE Systems must be complete at or before 10:00 am in

order to be reflected in Open Contract Positions and Margin calls calculated at the end of that day.

- (d) For Non-FCM/BD Clearing Members, Customer-CM Transactions arise only in respect of transactions recorded in a position-keeping sub-account linked to a Customer Account.

2.5 Invoicing Back, Void Contracts, etc.

- (a) Any Contracts which are subject to Invoicing Back will be reflected by the entry into by the Clearing House through the ICE Systems of a new Contract of opposite effect to the original Contract (or pursuant to such other terms or prices as are determined by the Clearing House pursuant to the Rules). Clearing Members will be notified of Contracts subject to Invoicing Back or amendment by the Clearing House's operations department. Each such event will be confirmed in writing.
- (b) Any Contracts which are void or voided will be deleted from the ICE Systems by the Clearing House. Clearing Members will be notified of Contracts which are void or voided by the Clearing House's operations department. Each such event will be confirmed in writing.
- (c) The Clearing House may make other trade or Open Contract Position adjustments as directed by the relevant Market. In each such event, the Clearing House's operations department will contact the Clearing Member and confirm such adjustment in writing.

3. FINANCIAL ACCOUNTS

3.1 Margining accounts

- (a) While Open Contract Positions are held in several different sub-accounts through the ICE Systems, the margining of Open Contract Positions will take place as follows:
 - (i) H, L, D, G, M, N and U will be margined together via the house account (referred to as a "Proprietary Account" under the Rules), with F and R for FCM/BD Clearing Members margined via a separate Proprietary Account;
 - (ii) S and C will be margined via a General Customer Account or Non-DCM/Swap Customer Account of FCM/BD Clearing Members; or to the relevant Customer Account for Non-FCM/BD Clearing Members; and for FCM/BD Clearing Members, E will be margined via the same Accounts as that used for S and C;
 - (iii) for Non-FCM/BD Clearing Members, E, F, K, T and R will each be margined separately via the relevant Customer Account, which is a separate Customer Account in each case;
 - (iv) payments and collections on I and J will be margined on a net or gross basis across all Margin-flow Co-mingled Accounts in the relevant sub-account of the Clearing Member or on an Account by Account basis, in accordance with Rule 302;
 - (v) W will be margined via a "DCM Customer Account" under the Rules (this may also be referred to as CSEGW); and
 - (vi) Z will be margined via a "Swap Customer Account" under the Rules (this may also be referred to as CSEGZ).
- (b) Save as provided for I and J sub-accounts of the same Clearing Member in paragraph (a) and Rule 302, each separate Proprietary Account and Customer Account will be subject to calculations and calls for Margin separately. Transfers or offsets between any two such Accounts will not be possible. These Accounts are also all treated separately following any

Event of Default, under Part 9 of the Rules. Where a Clearing Member requests more than one Proprietary Account or more than one Customer Account of the same Customer Account Category (other than Individually Segregated Sponsored Accounts or Sponsored Principal Accounts or as allowed under paragraph 2.3), the Clearing Member may request to be set up on the Clearing House's systems as if it were two Clearing Members and, where this approach is adopted, each Account of the same Customer Account Category will use the same sub-account code but with a different Clearing Member mnemonic (see paragraph (c) below). Any such additional Customer Account may be dedicated for purposes of indirect clearing of positions relating to the indirect clients of a Customer of the Clearing Member.

- (c) Records of all financial information including, but not limited to, Margin requirements, cash balances, collateral, contingent Margin, Buyer's Security and Seller's Security will be held in ICE Clear Europe's Extensible Clearing System ("ECS") within the ICE Systems. The naming convention for the sub-accounts in ECS used for F&O Contracts will be the Clearing Member's or Sponsored Principal's three letter mnemonic followed by the sub-account code (e.g. XXXH for house / linked to a Proprietary Account). Margin-flow Co-mingled Accounts may also be established operationally using a dedicated three letter mnemonic referencing the Customer. The naming convention for the accounts in ECS used for CDS Contracts will be the Clearing Member's or Sponsored Principal's three number mnemonic followed by the account type (e.g. 123H for a Proprietary Account).
- (d) Clearing Members and Sponsored Principals can find more information about ECS functions and facilities in the ICE Systems user guide.

3.2 Guaranty Fund account

- (a) Each Clearing Member's Guaranty Fund Contribution will be recorded in a separate sub-account, recorded in ECS under the name XXXH-GUAR.

Table A: Summary of sub-account Codes

Position Account	ICE Systems Term	ECS Term	ECS Account name	Rulebook
N/A	N/A	Guaranty Fund Account	XXXH-GUAR	Guaranty Fund Contribution
H L D G M U N	House Individual Trader Default Gas Associate Market Maker Unallocated Non-segregated	House Account (H)	XXXH (may also be referred to as HOUSE segregation)	Proprietary Account
<u>E</u> <u>R</u>	<u>Affiliates</u>	<u>Affiliate Account (F or R)</u>	<u>XXXF</u> <u>XXXR</u>	<u>Proprietary Account for FCM/BD Clearing Member affiliate business.</u> <u>Customer Account for non-FCM/BD Clearing Members: see paragraph 2.3.</u>
S C E F K T R	Segregated Customer or Segregated TTFCFA Customer	Client Account (C)	XXXC (may also be referred to as CSEG segregation) (and for those accounts available to FCMs only, may be	A Customer Account: see paragraph 2.3.

			referred to as Secured or 30.7 segregation) XXXX XXE XXXX XXXX XXXT XXXX	
I or J	Individually Segregated Operationally Co-mingled (ISOC)	ISOC	XXXI or XXXJ (whether using Clearing Member's or Customer's mnemonic)	Margin-flow Co-mingled Accounts
W	DCM Client	DCM Client Account (W)	XXXW (may also be referred to as CSEGW segregation, or Regulated or 4d(a) segregation)	DCM Customer Account
Z	Swap Client	Swap Client Account (Z)	XXXZ (may also be referred to as CSEGS segregation, or Swaps or 4d(f) segregation)	Swap Customer Account

4. MARGIN PROCEDURES

4.1 General

The matters described in this paragraph 4 will be recorded through ECS and will form part of the Clearing House's daily Margin processes. Margin requirements will determine whether funds are needed to be paid to, or received from, the relevant Clearing Member. Any required payments will be effected through Approved Financial Institutions that participate in the assured payment system (APS), as described in the Finance Procedures.

4.2 Original Margin, Initial Margin and FX Original Margin

- (a) Original Margin, Initial Margin and FX Original Margin calculations are made separately in respect of each of a Clearing Member's Proprietary Accounts and Customer Accounts. No Margin offset is possible between any of these accounts. Original Margin, Initial Margin and FX Original Margin calculations for each Proprietary Account will be applied to net positions for each Contract Set, rather than the sum of the gross positions for a Set. Customer Accounts are margined either on the basis of the net risk position across all Customers with related positions in the Account or on the basis of the gross positions of each Customer with related positions in the Account, in each case based on the records submitted by the relevant Clearing Member under Rule 401 and in the way set out in paragraph 2.3(b).
- (b) Original Margin, Initial Margin and FX Original Margin parameters are set by the Clearing House within the framework of the policy reviewed by the relevant Risk Committee.
- (c) The Clearing House will notify Clearing Members of any change to Original Margin, Initial Margin or FX Original Margin parameters by Circular no later than the day before calls are made based on the new parameters. For routine changes, the Clearing House will provide five Business Days' advance notice of changes to Margin parameters, unless another period is specified in the relevant Circular.