



DERIVATIVE CLEARING SERVICES CLEARING MEMBER DISCLOSURE

Version: December 2018

CLEARING MEMBER DISCLOSURE DOCUMENT

Introduction

Throughout this document references to “we”, “our” and “us” are references to the clearing member. References to “you” and “your” are references to the client.

What is the purpose of this document?

To enable us to comply with our obligations as a clearing member under EMIR¹, which requires that where we are providing services to you that involve us clearing derivatives through an EU central counterparty (**CCP**), we must:

- Offer you a choice of an individual client account or an omnibus client account (as discussed under “*The types of account available*” in Part One B below);
- Publicly disclose the levels of protection and costs associated with different levels of segregation; and
- Describe the main legal implications of different levels of segregation.

We have provided the costs associated with the different levels of segregation separately. Details can be found at: https://cib.bnpparibas.com/our-solutions/global-markets_a-34-39.html

Additionally, to enable us to comply with our obligations as a clearing member under the Indirect Clearing RTS², which require that, where we are providing services to you that involve us facilitating the indirect clearing of derivatives through a CCP³, we must:

- Offer you a choice of a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account (as discussed under “*The types of accounts available*” in Part One B below);
- Publicly disclose the levels of protection and costs associated with different levels of segregation;

¹ Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories.

² Commission Delegated Regulation (EU) No 2017/2154 supplementing Regulation (EU) No 600/2014 with regard to regulatory technical standards on indirect clearing arrangements, and Commission Delegated Regulation (EU) No 2017/2155 amending Commission Delegated Regulation (EU) No 149/2013 with regard to regulatory technical standards on indirect clearing arrangements.

³ Please note that we do not offer indirect clearing services on all products or all CCPs. Please contact your usual BNP Paribas contact for further information.

- Publicly disclose the general terms and conditions under which we provide indirect clearing services (as discussed under "*Disclosure of general terms and conditions of Indirect Clearing Arrangements*" in Part One D below); and
- Describe the main legal implications of different levels of segregation.

We have provided the costs associated with the different levels of segregation separately. Details can be found at:

https://cib.bnpparibas.com/our-solutions/global-markets_a-34-39.html

In respect of the treatment of margin and collateral at CCP level you should refer to the CCP disclosures that the CCPs are required to prepare.

Organisation of this document

This document is set out as follows:

- Part One A provides some background to clearing.
- Part One B gives information about the differences between the individual client account, the omnibus client account, the Basic Omnibus Indirect Client Account and the Gross Omnibus Indirect Client Account, explains how this impacts on the clearing of your derivatives and sets out some of the other factors that might affect the level of protection you receive in respect of assets provided to us as margin.
- Part One C sets out some of the main insolvency considerations.
- Part One D sets out a general overview of the terms and conditions under which we provide indirect clearing services.
- Part Two provides an overview of the main variations on the different levels of segregation that the CCPs offer, together with an explanation of the main implications of each, and sets out links to further information provided by the CCPs. For the position relating to any particular CCP you should refer to the disclosure and any other information prepared by the CCP.

What are you required to do?

You must review the information provided in this document and the relevant CCP disclosures and confirm to us in writing which account type you would like us to maintain with respect to each CCP on which we clear derivatives for you from time to time⁴ and whether you agree with the way in which we propose to deal with any excess margin we may hold in relation to an individual client account. We will explain how we would like you to make this confirmation and by when. If you do not confirm within the requested timeframe, we will not be in compliance with our obligations under EMIR, which is not a position we can continue with indefinitely. In the meantime, where we are currently offering you clearing services, we will continue to clear your derivatives, either using the existing account structure, Individual Client Account, Omnibus Client Account, Basic Omnibus Indirect Client Account or Gross Omnibus Indirect Client Account, as this is the most similar of the new account types to the existing account structure.

⁴ This may be via an election included in the relevant contractual documentation.

Important

Whilst this document will be helpful to you when making your selection of account types, this document does not constitute legal or any other form of advice and must not be relied on as such. This document provides a high level analysis of several complex and/or new areas of law, whose effect will vary depending on the specific facts of any particular case, some of which have not been tested in the courts. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. It is your responsibility and, where applicable, the responsibility of your clients to review and conduct independent due diligence on the relevant rules, legal documentation and any other information provided on each of the account offerings and those of the various CCPs on which we clear derivatives for you and, where applicable, your clients. You and, where applicable, your clients, may wish to appoint independent professional advisors to assist with this.

This document does not constitute a contract or an offer to contract. Should we agree to clear derivatives for you, such service would be subject to specific requirements and specific contractual provisions to be agreed with you.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.

Please note that different laws may apply to the various aspects of our relationship and/or to the Client Transactions, for example, the law governing the CCP rules or related agreements; the law governing our insolvency; the law of the jurisdiction of incorporation of the CCP; and the law of the location of any assets.

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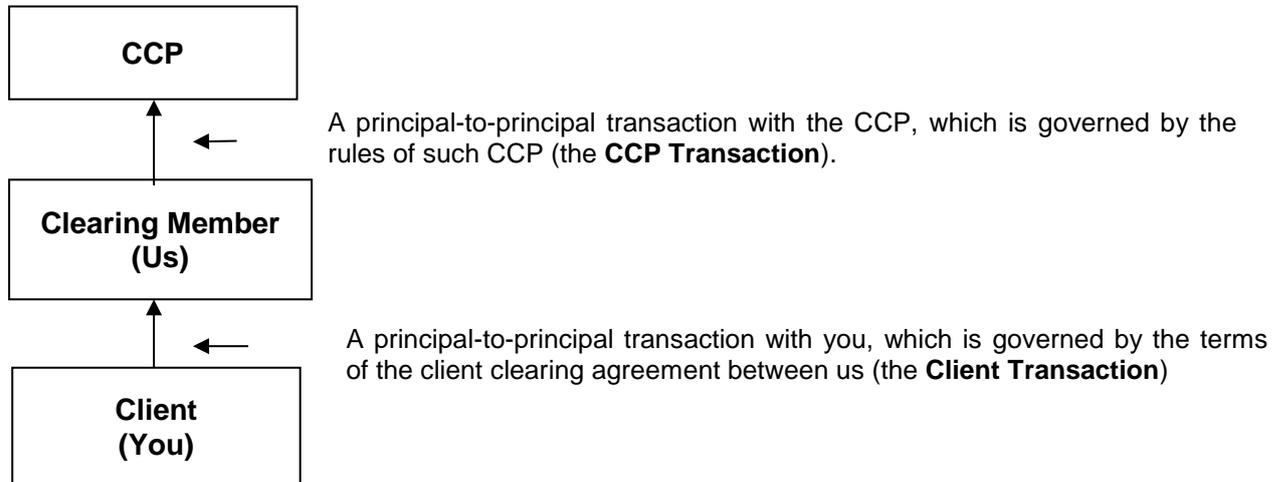


Part One A: A brief background to clearing

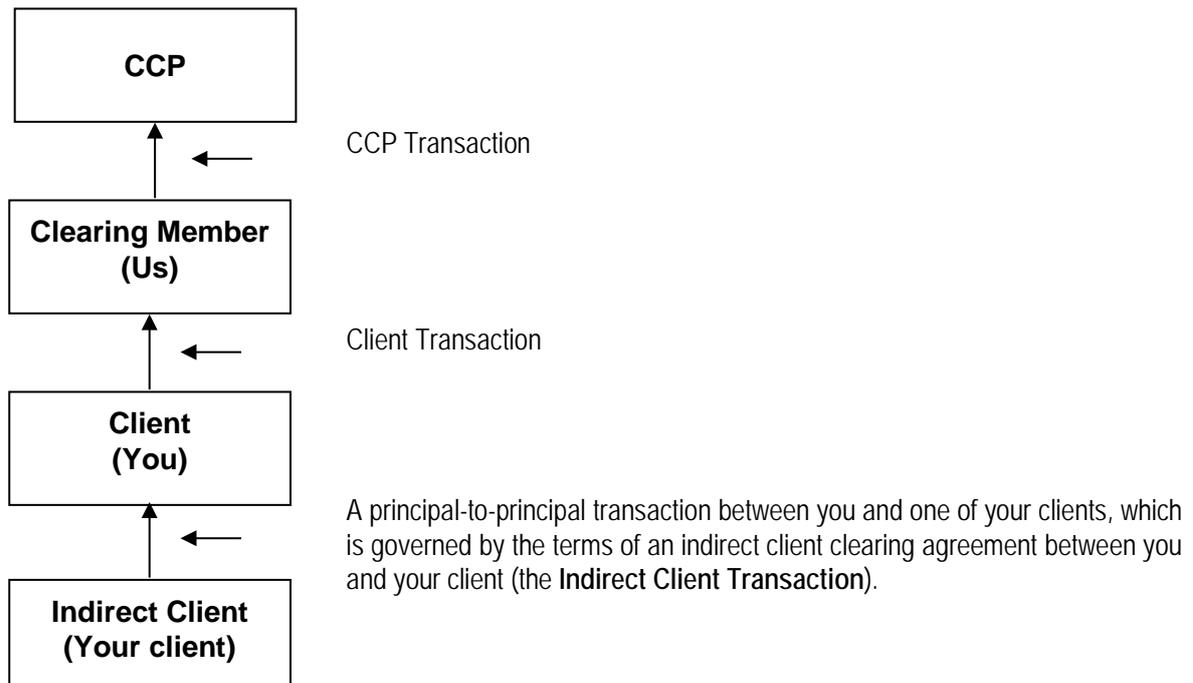
The market distinguishes two main types of clearing models: the “agency” model and the “principal-to-principal” model. This document assumes that all transactions are cleared according to the “principal-to-principal” model.

The “principal-to-principal” clearing model

When clearing transactions for you through a CCP we usually enter into two separate transactions:



Additionally, where we facilitate indirect clearing services, i.e. facilitate the clearing by you through us of positions for your own clients, you may enter into a third principal-to-principal transaction with one of your clients:



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The terms of each Client Transaction are equivalent to those of the related CCP Transaction, except that (i) each Client Transaction will be governed by a client clearing agreement between you and us and (ii) we will take the opposite position in the CCP Transaction to the position we have under the related Client Transaction. Similarly, where applicable, the terms of each Indirect Client Transaction are equivalent to those of the related Client Transaction which, in turn, is equivalent to those of the related CCP Transaction, except that (i) each Indirect Client Transaction will be governed by an indirect client clearing agreement between you and your client, and (ii) you will take the opposite position in the Client Transaction to the position you have under the related Indirect Client Transaction.

A Client Transaction will arise without the need for any further action by either you or us, as soon as the CCP Transaction arises between us and the CCP. Once both of those transactions have been entered into, your transaction is considered to be "cleared". Similarly, where applicable, we expect that under the terms of the indirect client clearing agreement between you and your client, an Indirect Client Transaction will arise without the need for any further action by either you or your client, as soon as the Client Transaction arises between you and us. Once all three of those transactions referred to above have been entered into, your client's transaction is considered to be "cleared".

As the principal to the CCP, we are required to provide assets to the CCP as margin for the CCP Transactions that relate to you and your clients and to ensure that the CCP has as much margin as it requires at any time. We will therefore ask you for margin and, if you provide it in a form which we cannot transfer to the CCP, we may transform it into a form acceptable to the CCP. If you have provided us with margin assets, you may face what we call "transit risk" - this is the risk that, if we were to default prior to providing such assets to the CCP, the assets that should have been recorded in your account at the CCP will not have been recorded in your account and will not benefit from the protections described below under "*What happens if we are declared to be in default by a CCP?*".

However, in many cases you may not actually face transit risk because the CCPs often call margin from us early in the morning so we will often use our own funds to satisfy the margin call and then seek to recover such amount from you. In these cases, it is rather that we are exposed to you for the interim period. The arrangements between you and us relating to how the margin calls will be funded or met will be set out in the client clearing agreement between you and us.

If we are not a member of such CCP ourselves, we may offer you alternative solutions:

- where we do not facilitate indirect clearing services provided by you, we may enter into a principal-to-principal transaction with an affiliate or third party clearing member, which is a clearing member of such CCP, instead of a principal-to-principal transaction directly with such CCP. Such arrangements are outside the scope of this document; and
- where we facilitate indirect clearing services provided by you, for any of your clients that have opted for a Basic Omnibus Indirect Client Account and that are not part of

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our group, we may enter into a principal-to-principal transaction with an affiliate clearing member, which is a member of such CCP, instead of a transaction directly with such CCP, in a long chain arrangement under the Indirect Clearing RTS (a **Long Chain Arrangement**). Under a Long Chain Arrangement, both the affiliate clearing member and we would be subject to the relevant requirements for clearing members in the Indirect Clearing RTS. Consequently, any references in this document to 'clearing member' should be read, where relevant, as including us in the capacity of a client of an affiliate clearing member under a Long Chain Arrangement.

Please see Part One B for an explanation of how this is relevant to the choice of account types.

What if you want to transfer your Client Transactions to another clearing member?

There may be circumstances where you wish to transfer some or all of your Client Transactions to another clearing member on a business as usual basis (i.e. in the absence of us having been declared in default by a CCP). We are not obliged to facilitate this under EMIR or the Indirect Clearing RTS but we may be willing to do so subject to our ability to transfer the CCP Transactions to which they relate and the margin provided to the CCP in connection with them (which will depend on the relevant CCP's rules) and any conditions set out in our client clearing agreement. You will also need to find a clearing member that is willing to accept such Client Transactions and the related CCP Transactions and assets.

It may be easier to transfer Client Transactions and CCP Transactions that are recorded in an Individual Client Account than those recorded in an Omnibus Client Account (both types of account being described in more detail in Part One B) for the same reasons as set out below under "Will the CCP Transactions and assets relating to you be automatically ported to a back-up clearing member?" Similarly, where applicable, it may be easier to transfer Client Transactions relating to your Indirect Client Transactions and the corresponding CCP Transactions that are recorded in a Gross Omnibus Indirect Client Account than those recorded in a Basic Omnibus Indirect Client Account (both types of account being described in more detail in Part One B) for the same reasons as set out below under "Will the CCP Transactions and assets relating to you be automatically ported to a back-up clearing member?".

What happens if we are declared to be in default by a CCP?

If we are declared to be in default by a CCP, there are two possibilities with respect to the CCP Transactions and assets related to you:

- with respect to Individual Client Accounts, Omnibus Client Accounts and Gross Omnibus Indirect Client Accounts (and, in certain circumstances, Basic Omnibus Indirect Client Accounts), the CCP will, at your request, try to transfer (**port**) to another clearing member (a **back-up clearing member**), such CCP Transactions and assets; or
- if this cannot be achieved the CCP will terminate the CCP Transactions that relate to you (see "What happens if porting is not achieved" below).

The porting process will differ depending on the CCP but it is likely to involve a close-out (with us) and a re-establishment (with the back-up clearing member) of the CCP

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Transactions or a transfer of the open CCP Transactions and related assets from us to the back-up clearing member. In some cases CCPs will support this structure legally by requiring us to grant a security interest to you over some or all of our related rights against the CCP (the **security interest**) but in other cases where CCPs can rely on EMIR and local legislation, this is not necessary.

Will the CCP Transactions and assets relating to you be automatically ported to a back-up clearing member?

No, there will be a number of conditions which must be satisfied before the CCP Transactions and assets that relate to you can be ported to a back-up clearing member. These conditions will be set by the CCPs and will include obtaining your consent. In all cases you will need to have a back-up clearing member that has agreed to accept the CCP Transactions. You may wish to appoint a back-up clearing member upfront as part of your clearing arrangements but the back-up clearing member may be unlikely to be able to confirm that it is willing to accept the CCP Transactions until the default occurs. The back-up clearing member may also have conditions that they require you to meet. You may also be able to agree with the CCP that it may choose a back-up clearing member on your behalf. If you have not appointed a back-up clearing member prior to our default, or agreed with the CCP that it may appoint one on your behalf, then this may mean that porting is less likely to occur.

If porting is achieved, your Client Transactions with us will terminate in accordance with our client clearing agreement, but any Indirect Client Transactions between you and your clients would be unaffected. We would expect your back-up clearing member to put in place new client transactions between itself and you.

The type of account and level of segregation you choose will have an impact on the ability to port CCP Transactions and assets to a back-up clearing member upon our default.

With regard to a Basic Omnibus Indirect Client Account (described in more detail in Part One B), no contractual arrangements will be in place for porting and, therefore, porting will ordinarily not be available. If you choose an Omnibus Client Account (described in more detail in Part One B), in most cases, all of our clients who have CCP Transactions and assets relating to them recorded in the same Omnibus Client Account will have to agree to use the same back-up clearing member, and the back-up clearing member will have to agree to accept all of the CCP Transactions and assets recorded in that Omnibus Client Account. It is therefore likely to be difficult to achieve porting in relation to an Omnibus Client Account or a Basic Omnibus Indirect Client Account.

It should be easier to achieve porting if you choose an Individual Client Account (described in more detail in Part One B), because you can appoint a back-up clearing member with respect to just your CCP Transactions and the related assets. Similarly, it should be easier to achieve porting in respect of one of your client's positions if such client chooses a Gross Omnibus Indirect Client Account (described in more detail in Part One B), because it allows one or more of your clients in the same Gross Omnibus Indirect Client Account to port independently of your other clients in the same Gross Omnibus Indirect Client Account, and because, unlike a Basic Omnibus Indirect Client Account, the Gross Omnibus Indirect Client Account at the CCP level relates only to your clients (and not to clients of our other clients).

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What happens if porting is not achieved?

Each CCP is permitted to specify a period of time after which, if it has not been able to achieve porting, it will be permitted to actively manage its risks in relation to the CCP Transactions. This period of time will vary across CCPs. If you want to port your CCP Transactions, you will need to notify the CCP and show that you can satisfy the other conditions within this period.

Otherwise, the CCP will terminate the CCP Transactions and perform a close-out calculation in respect of them in accordance with the CCP rules. If there is an amount owed by the CCP in respect of the CCP Transactions, to the extent that the CCP knows your identity and how much of that amount relates to you, the CCP may pay such amount directly to you. If the CCP does not know your identity and/or does not know how much of the amount relates to you, the CCP will pay it to us (or our insolvency practitioner) for the account of our clients.

It is more likely that a CCP will be able to pay any such amount directly to you if you select an Individual Client Account or a Gross Omnibus Indirect Client Account (described in more detail in Part One B). This is because your identity will typically be disclosed to the CCP in these cases.

If the CCP terminates the CCP Transactions, then the Client Transactions between us and the Indirect Client Transactions between you and your clients are also likely to terminate. The termination calculations in respect of those Client Transactions and Indirect Client Transactions will be performed in accordance with the client clearing agreement between you and us, and, where applicable, the indirect client clearing agreement between you and your clients, and such calculations will likely mirror those performed by the CCP in respect of the CCP Transactions. If you are due a payment from us as a result of the close-out calculations in respect of our Client Transactions, the amount due from us to you will be reduced by any amount that you receive (or are deemed to receive) directly from the CCP.

Please see Part One C for an outline of the main insolvency considerations.

Part One B: Your choice of account type and the factors to consider

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The types of account available

Reference to accounts means the accounts in the books and records of each CCP. The CCP uses these accounts to record the CCP Transactions that we enter into in connection with the clearing of your related Client Transactions and any related Indirect Client Transactions and the assets that we provide to the CCP in respect of such CCP Transactions.

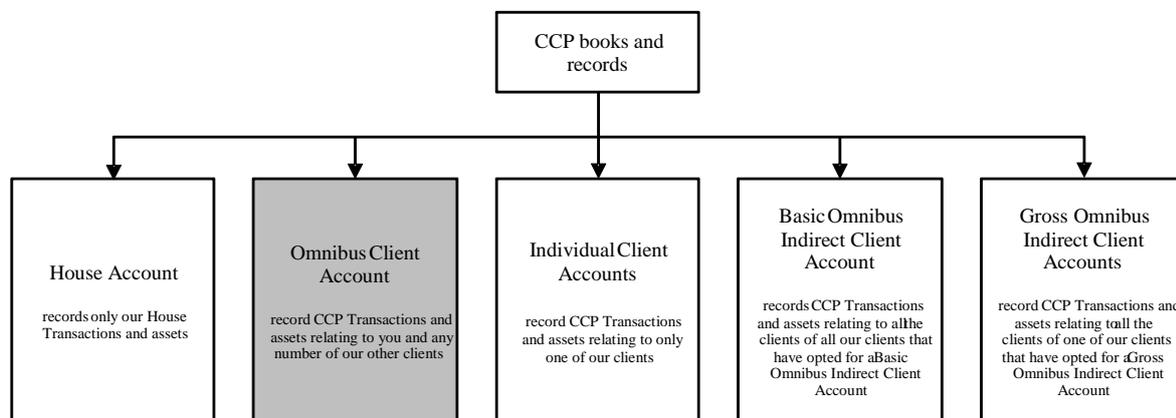
There are two basic types of client account available – Omnibus Client Accounts and Individual Client Accounts. Additionally, there are two basic types of indirect client accounts available – the Basic Omnibus Indirect Client Account and the Gross Omnibus Indirect Client Account. Some of the CCPs then offer different levels of segregation within those as described in Part Two of this document.

Omnibus Client Account

Under this account type, at the level of the CCP, the CCP Transactions and assets that relate to them in the CCP's accounts are segregated from:

- any CCP Transactions (including corresponding assets in the CCP's accounts) we are clearing for our own account (our **House Transactions**) at the CCP;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of our other clients that have opted for an Individual Client Account; and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients and any clients of our other clients (regardless of whether they have opted for a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account).

However, the CCP Transactions and assets that relate to you will be commingled with the CCP Transactions and assets relating to any of our other clients that are recorded in the same Omnibus Client Account.



Can CCP Transactions and related collateral be netted with our House Transactions and assets? No

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Can CCP Transactions and related assets be netted with those relating to our other clients?	Yes (provided the other clients' CCP Transactions and assets are recorded in the same Omnibus Client Account)
Can CCP Transactions and related collateral be netted with those relating to your clients?	No
Can CCP Transactions and related collateral be netted with those relating to clients of our other clients?	No

The CCP will agree not to net the CCP Transactions relating to you with our House Transactions or any CCP Transactions not recorded in the same Omnibus Client Account, nor use the assets relating to such CCP Transactions with respect to any House Transaction or CCP Transaction recorded in any other account.

However, both we and the CCP may net the CCP Transactions that are recorded in the same Omnibus Client Account. The assets provided in relation to the CCP Transactions recorded in the same Omnibus Client Account can be used in relation to any CCP Transaction (whether it relates to you or to any of our other clients) credited to that Omnibus Client Account.

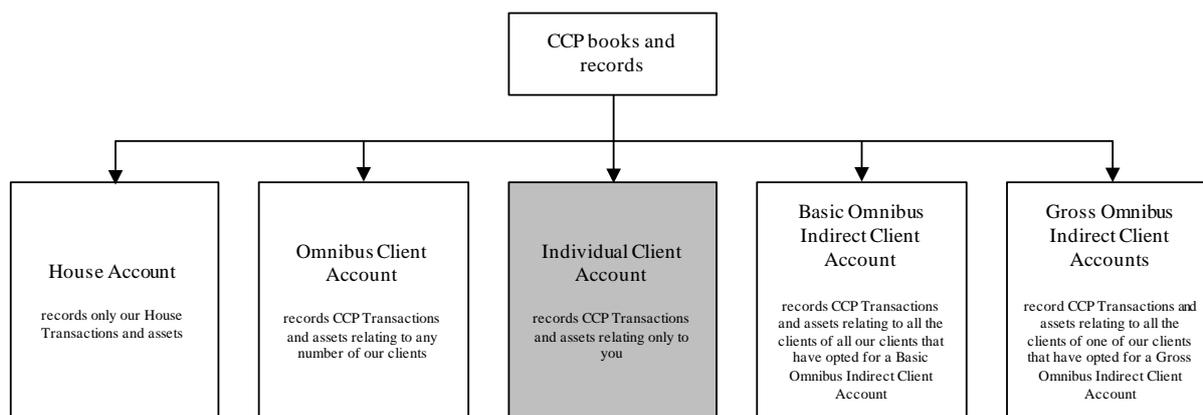
Please see Part Two for an overview of the risks you may face if you choose an Omnibus Client Account and for details of the different levels of segregation that may be available at different CCPs.

Individual Client Account

Under this account type, at the level of the CCP, the CCP Transactions and assets that relate to you in the CCP's accounts are segregated from:

- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of our other clients (regardless of whether they have opted for an Individual Client Account or an Omnibus Client Account); and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients and any clients of our other clients (regardless of whether they have opted for a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account).

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Can CCP Transactions and related collateral be netted with our House Transactions and assets?	No
Can CCP Transactions and related assets be netted with those relating to our other clients?	No
Can CCP Transactions and related collateral be netted with those relating to your clients?	No
Can CCP Transactions and related collateral be netted with those relating to clients of our other clients?	No

The CCP will agree not to net the CCP Transactions relating to you with our House Transactions, nor use the assets relating to such CCP Transactions in relation to our House Transactions.

Further, and in contrast to an Omnibus Client Account, the CCP will agree not to net the CCP Transactions relating to you that are recorded to an Individual Client Account with any CCP Transaction recorded to *any* other account, nor use the assets related to such CCP Transactions in relation to the CCP Transactions recorded in any other account.

Please see Part Two for an overview of the risks you may face if you choose an Individual Client Account and additional features of Individual Client Accounts that may be available at different CCPs.

Basic Omnibus Indirect Client Account

Under this account type, at the level of the CCP, the CCP Transactions (including the corresponding assets in the CCP's accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account are segregated from:

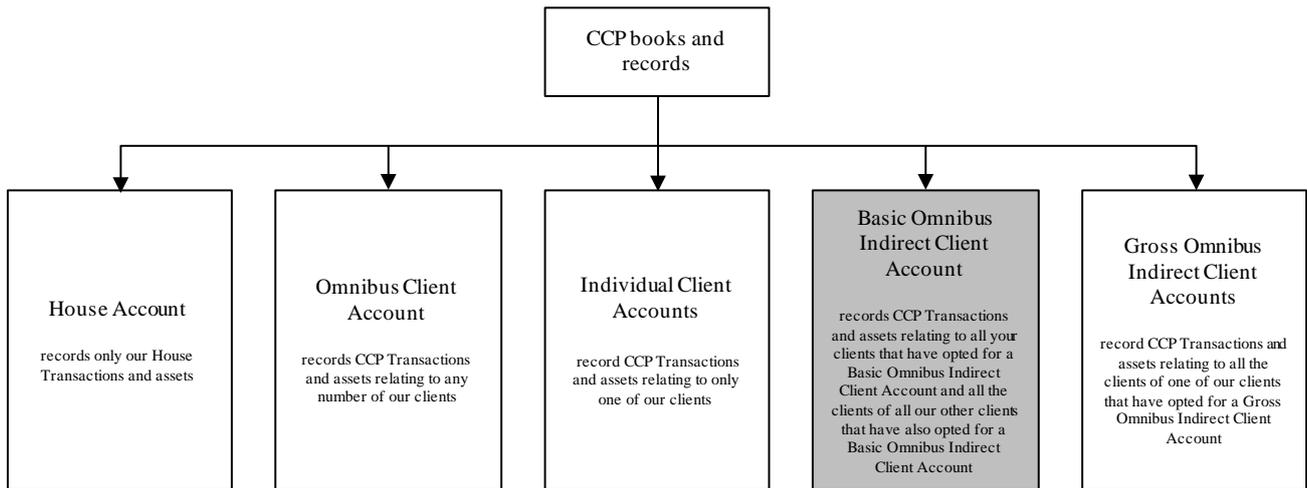
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;

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- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account); and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your clients or any clients of our other clients that have opted for a Gross Omnibus Indirect Client Account.

However, the CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account will be commingled with the CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your other clients and any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account and which are recorded in the same Basic Omnibus Indirect Client Account.

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Can CCP Transactions and related collateral be netted with our House Transactions and assets?	No
Can CCP Transactions and related assets be netted with those relating to you or our other clients?	No
Can CCP Transactions and related collateral be netted with those relating to your other clients?	Yes (provided your other clients' CCP Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account)
Can CCP Transactions and related collateral be netted with those relating to clients of our other clients?	Yes (provided our other clients' clients' CCP Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account)

The CCP will agree not to net the CCP Transactions relating to your indirect clients that have opted for a Basic Omnibus Indirect Client Account with our House Transactions or any CCP Transactions not recorded in the same Basic Omnibus Indirect Client Account, nor use the assets relating to such CCP Transactions with respect to any House Transaction or CCP Transaction recorded in any other account.

However, both we and the CCP may net the CCP Transactions that are recorded in the same Basic Omnibus Indirect Client Account. The assets provided in relation to the CCP Transactions recorded in the same Basic Omnibus Indirect Client Account can be used in relation to any CCP Transaction (whether it relates to your indirect clients or indirect clients of any of our other clients) credited to that Basic Omnibus Indirect Client Account.

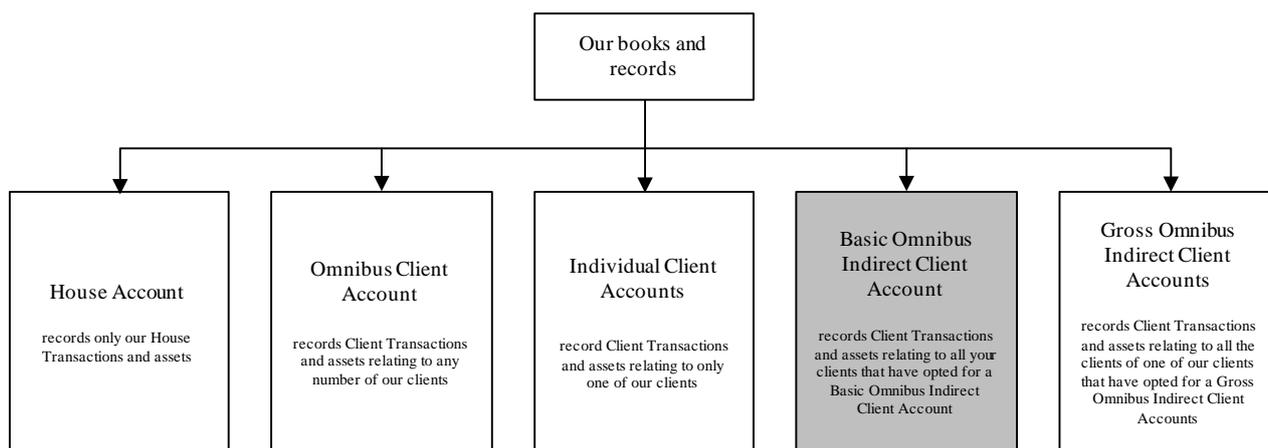
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Please see Part Two for an overview of the risks in relation to a Basic Omnibus Indirect Client Account and for details of the different levels of segregation that may be available at different CCPs.

Additionally, at the level of the clearing member, we then open and maintain accounts corresponding to the Basic Omnibus Indirect Client Accounts at the CCP level. Under this account type, the Client Transactions (including the corresponding assets in our accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account are segregated from:

- our House Transactions;
- any Client Transactions (including corresponding assets in our accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Indirect Client Account or Omnibus Client Account);
- any Client Transactions (including corresponding assets in our accounts) relating to any clients of our other clients that have also opted for a Basic Omnibus Indirect Client Account and which are recorded in a different Basic Omnibus Indirect Client Account; and
- any Client Transactions (including corresponding assets our accounts) relating to any of your clients or any clients of our other clients that have opted for a Gross Omnibus Indirect Client Account.

However, the Client Transactions (including corresponding assets in our accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account will be commingled with the Client Transactions (including corresponding assets in our accounts) relating to any of your other clients that have also opted for a Basic Omnibus Indirect Client Account and which are recorded in the same Basic Omnibus Indirect Client Account.



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Can Client Transactions and related collateral be netted with our House Transactions and assets?	No
Can Client Transactions and related assets be netted with those relating to you or our other clients?	No
Can Client Transactions and related collateral be netted with those relating to your other clients?	Yes (provided your other clients' Client Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account)
Can Client Transactions and related collateral be netted with those relating to clients of our other clients?	No

We will not net the Client Transactions relating to your clients that have opted for a Basic Omnibus Indirect Client Account with our House Transactions or any Client Transactions not recorded in the same Basic Omnibus Indirect Client Account, nor use the assets relating to such Client Transactions with respect to any House Transaction or Client Transaction recorded in any other account.

However, we may net the Client Transactions that are recorded in the same Basic Omnibus Indirect Client Account. The assets provided in relation to the Client Transaction credited to that Basic Omnibus Indirect Client Account can be used in relation to any Client Transaction credited to that Basic Omnibus Indirect Client Account.

Gross Omnibus Indirect Client Account

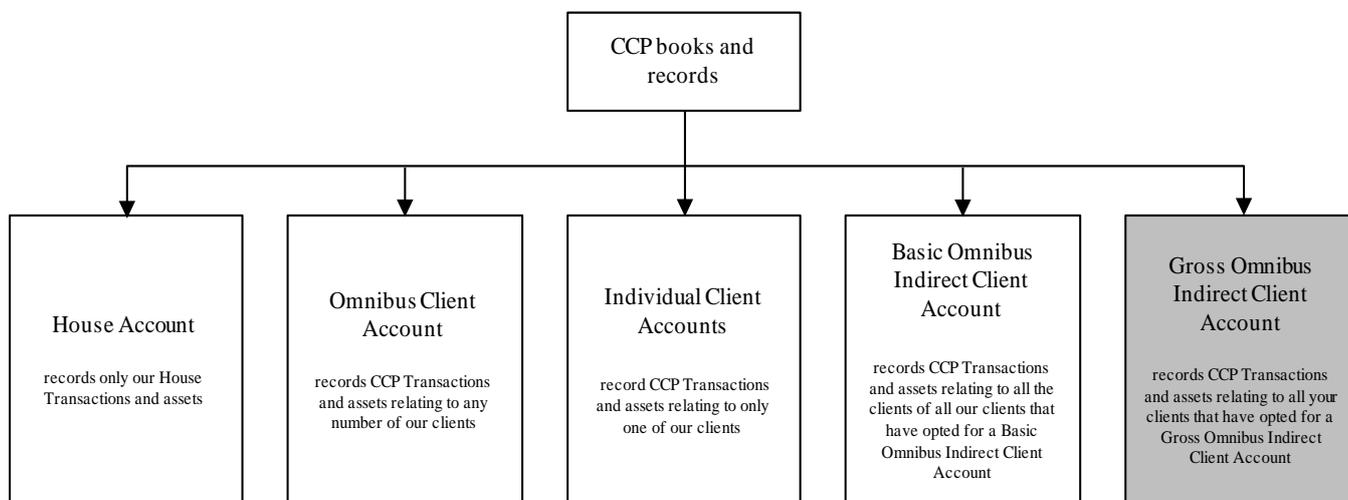
Under this account type, at the level of the CCP, the CCP Transactions (including the corresponding assets in the CCP's accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account are segregated from:

- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account);
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your clients or any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account; and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any clients of our other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in a different Gross Omnibus Indirect Client Account.

However, the CCP Transactions (including corresponding assets in the CCP's accounts) relating to your indirect clients that have opted for a Gross Omnibus Indirect Client Account will be commingled with the CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your other clients that have opted for a Gross Omnibus Indirect

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Client Account and which are recorded in the same Gross Omnibus Indirect Client Account. Within the Gross Omnibus Indirect Client Account, the CCP will keep separate records of the positions of each of your clients that has opted for a Gross Omnibus Indirect Client Account. The CCP will also calculate the margining requirement separately for each of your clients that has opted for a Gross Omnibus Indirect Client Account and collect the aggregate of each such margin requirement.



Can CCP Transactions and related collateral be netted with our House Transactions and assets?	No
Can CCP Transactions and related assets be netted with those relating to you or our other clients?	No
Can CCP Transactions and related collateral be netted with those relating to your other clients?	The CCP Transactions relating to any one of your clients that has opted for a Gross Omnibus Indirect Client Account will not be netted with the CCP Transactions relating to any of your other clients. However, the collateral of any one of your clients that has opted for a Gross Omnibus Indirect Client Account may be used to cover CCP Transactions of your other clients to the extent it is recorded in the same Gross Omnibus Indirect Client Account.
Can CCP Transactions and related collateral be netted with those relating to clients of our other clients?	No

The CCP will agree not to net the CCP Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with our House Transactions, your CCP Transactions, the CCP Transactions relating to our other clients or any CCP Transactions

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relating to your other clients (regardless of whether they are recorded in the same Gross Omnibus Indirect Client Account).

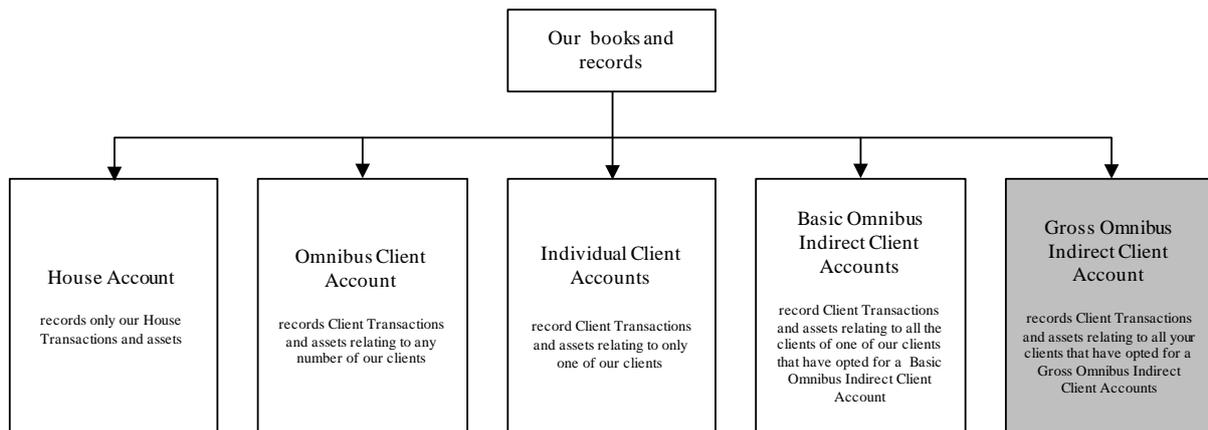
The CCP will also agree not to use the assets relating to the CCP Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with respect to any House Transactions, your CCP Transactions, the CCP Transactions relating to our other clients or any CCP Transactions relating to your other clients provided that they are not recorded in the same Gross Omnibus Indirect Client Account. However, the assets provided in relation to the CCP Transactions relating to one of your clients that have opted for a Gross Omnibus Indirect Client Account may be used by both the CCP and us in relation to any CCP Transaction relating to your other clients that have also opted for a Gross Omnibus Indirect Client Account.

Please see Part Two for an overview of the risks in relation to a Gross Omnibus Indirect Client Account and for details of the different levels of segregation that may be available at different CCPs.

Additionally, at the level of the clearing member, we then open and maintain accounts corresponding to the Gross Omnibus Indirect Client Accounts at the CCP level. Under this account type, the Client Transactions (including the corresponding assets in our accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account are segregated from:

- our House Transactions;
- any Client Transactions (including corresponding assets in our accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account);
- any Client Transactions (including corresponding assets in our accounts) relating to any of your clients or any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account; and
- any Client Transactions (including corresponding assets in our accounts) relating to any clients of our other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in a different Gross Omnibus Indirect Client Account.

However, the Client Transactions (including corresponding assets in our accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account will be commingled with the Client Transactions (including corresponding assets in our accounts) relating to any of your other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in the same Gross Omnibus Indirect Client Account.



Can Client Transactions and related collateral be netted with our House Transactions and assets?	No
Can Client Transactions and related assets be netted with those relating to you or our other clients?	No
Can Client Transactions and related collateral be netted with those relating to your other clients?	The Client Transactions relating to any one of your clients that has opted for a Gross Omnibus Indirect Client Account will not be netted with the Client Transactions relating to any of your other clients. However, the collateral of any one of your clients that has opted for a Gross Omnibus Indirect Client Account may be used to cover Client Transactions of your other clients to the extent it is recorded in the same Gross Omnibus Indirect Client Account
Can Client Transactions and related collateral be netted with those relating to clients of our other clients?	No

We will not net the Client Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with our House Transactions, your Client Transactions, the Client Transactions relating to our other clients or any Client Transactions relating to your other clients (regardless of whether they are recorded in the same Gross Omnibus Indirect Client Account).

Neither will we use the assets relating to the Client Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with respect to any House Transactions, your Client Transactions, the Client Transactions relating to our other clients or any Client Transactions relating to your other clients provided that they are not recorded in the same Gross Omnibus Indirect Client Account. However, we may use the assets provided in relation to the Client Transactions relating to one of your clients that have opted

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for a Gross Omnibus Indirect Client Account in relation to any Client Transaction relating to your other clients that have also opted for a Gross Omnibus Indirect Client Account.

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Affiliates

Except for Long Chain Arrangements, we treat our affiliates in the same way as clients when complying with EMIR and the Indirect Clearing RTS. Consequently, we must segregate affiliate positions from our house positions. Our affiliates will also have a choice between an Individual Client Account and an Omnibus Client Account. There is no requirement under EMIR for us to segregate CCP Transactions and assets which relate to our affiliates from CCP Transactions and assets which relate to our non-affiliated clients, so if an affiliate chooses an Omnibus Client Account, it may be part of the same Omnibus Client Account as other clients.

If you are not our affiliate and you choose an Omnibus Client Account with us, this account may contain CCP Transactions and assets which relate to each of you, our affiliates and other non-affiliated clients. Accordingly you may face the risk of a correlated default where both we and an affiliate simultaneously default (see below).

The main potential risk of recording CCP Transactions and assets which relate to our affiliates in the same Omnibus Client Account as those which relate to our non-affiliated clients is as follows:

- If one or more of our affiliates cannot pay a margin call upon request from us and therefore defaults, we will still be required to post such amount to the CCP. We would typically pay such amount to the CCP out of our own funds and later try to reclaim the relevant amount from the affiliate(s).
- In a worst case scenario where we are also in default (correlated default), we may not have available funds to satisfy the relevant margin call(s), which could lead to a margin shortfall in the Omnibus Client Account. This would occur if and to the extent that the eventual cost of closing out the CCP Transactions corresponding to affiliate Client Transactions is not covered by the portion of the margin in the Omnibus Client Account corresponding to the relevant affiliate Client Transactions.
- If, upon our default, there is margin shortfall in the Omnibus Client Account, it is likely that all the clients (including our affiliates) who have CCP Transactions and assets relating to them recorded in the Omnibus Client Account will share in any losses arising from that shortfall (shortfall event). How such losses will be allocated between clients will be dependent on a number of factors, primarily the relevant CCP rules.

You should note that the consequences of a shortfall event for clients in the Omnibus Client Account (as described above) will be the same if a correlated default occurs with respect to us and one of our non-affiliated clients whose CCP Transactions and assets are also recorded in the Omnibus Client Account.

However, the correlation between the risk of our default and the risk of default of our affiliates will be different from the correlation between the risk of our default and the risk of default of our non-affiliated clients, and may be higher. You may therefore perceive the risk of a correlated default occurring, leading to a shortfall event occurring in the Omnibus Client Account, each as described above, to be greater with respect to our affiliates than with respect to non-affiliated clients because, for example, non-affiliated clients will not be in the same financial group and may be in different industry sectors from us.

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Clients transfer margin to us on a title transfer basis and so have exposure to our credit risk in respect of such margin. The risks described above following a shortfall event (for both affiliate and non-affiliated clients) are incremental to such credit risk.

The Individual Client Account option is available for those clients who do not wish to be part of the same Omnibus Client Account as our affiliates but clients who opt for an Individual Client Account will still have exposure to our credit risk as a result of transferring margin to us on a title transfer basis.

Other factors that may impact on the level of protection you receive in respect of assets that you provide to us as margin for Client Transactions

There are a number of factors that, together, determine the level of protection you will receive in respect of assets that you provide to us as margin for Client Transactions:

- whether you choose an Omnibus Client Account or an Individual Client Account and whether your clients choose a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account (as discussed under “*The types of accounts available*” above);
- whether, if you choose an Omnibus Client Account, you would want a gross or net account (where both are offered);
- In each case, whether such assets are transferred by way of title transfer or security interest; Whether we call any excess margin from you or you pay excess margin to us;
- Whether you will get back the same type of asset as you provided as margin;
- The bankruptcy and other laws that govern us and the CCP; and
- Whether you are comfortable that accounts of our affiliates may also be part of the same Omnibus Client Account as you.

The rest of Part One B sets out further details for each of these variables and their implications.

Will your account be margined on a gross or net basis?

There are two main levels of segregation within Omnibus Client Accounts:

- Net is where the margin called by the CCP in respect of the CCP Transactions is called on the basis of the net CCP Transactions recorded in the Omnibus Client Account.
- Gross is where the margin called by the CCP Transactions is called on the basis of the gross CCP Transactions recorded in the Omnibus Client Account.

These two different versions of the Omnibus Client Account are reflected in the two indirect client accounts required under the Indirect Clearing RTS, which envisage one gross omnibus

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account in the form of the Gross Omnibus Indirect Client Account and one omnibus account that may be net in the form of the Basic Omnibus Indirect Client Account.

It may be easier to port CCP Transactions and their related assets, both in business as usual and default circumstances, if you choose a gross Omnibus Client Account than if you choose a net Omnibus Client Account. This is because the CCP is more likely to have sufficient assets to facilitate the porting of the CCP Transactions that relate to you or, where applicable, your clients and those that relate to another client or, where applicable, their clients, if it has called the margin on a gross basis. That said, different CCPs' accounts have been designed in different ways and so you should consider each CCP's information about its specific accounts to understand the exact differences. Please see Part Two for more details on this.

Will you provide cash or non-cash assets as margin for the Client Transactions?

As noted under "The "principal-to-principal" clearing model" in Part One A, as a clearing member of the CCP, we are required to transfer assets as margin to the CCP in respect of the CCP Transactions related to your Client Transactions and any Indirect Client Transactions. CCPs only accept certain types of liquid cash and non-cash assets as margin.

As is market practice, we will decide what types of assets to accept from you as margin for your Client Transactions. This will be set out in the client clearing agreement between us. What we will accept from you as margin for the Client Transactions will not necessarily be the same type of assets that the CCPs will accept from us for the CCP Transactions, in which case we may provide you with a collateral transformation service, under which we transform the assets you provide to those which we can pass onto the CCP.

Do you provide assets to us on a title transfer or a security interest basis?

As is market practice, we will decide the basis on which we are willing to accept assets from you. This will be set out in the client clearing agreement between us.

Title Transfer

Where the client clearing agreement provides for the transfer of assets by way of title transfer, when you transfer assets (**Transferred Assets**) to us, we become the *full owner* of such assets and you lose all rights in such assets. We will record in our books and records that we have received such Transferred Assets from you with respect to the applicable Client Transaction. We will be obliged to deliver to you equivalent assets to such Transferred Assets (**Equivalent Assets**) in the circumstances set out in the client clearing agreement.

We may either transfer such Transferred Assets on to the CCP with respect to the CCP Transaction related to the Client Transaction or any Indirect Client Transaction, or we may transfer other assets to the CCP with respect to such CCP Transaction.

This is the structure underpinning our client clearing agreement in relation to cleared derivative transactions.

You bear our credit risk with respect to our obligation to deliver Equivalent Assets to you. This means that if we were to fail, unless we are declared to be in default by the CCP, you

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will in principle have no right of recourse to the CCP or to any assets that we transfer to the CCP and you will instead have a claim against our estate for a return of the assets along with all our other general creditors.

Even if we are declared to be in default by the CCP, the extent of your rights in relation to the CCP, if any, will depend on the particular CCP. Depending on the CCP rules, you might have a direct recourse to the CCP upon our default through specific contractual security arrangements granted pursuant to the CCP rules.

Security Interest

Where the client clearing agreement provides for the transfer of assets by way of security interest, when you transfer assets to us, you *retain* a beneficial interest in such assets. Such assets are transferred to us on the basis that the assets still belong to you, but you have granted us a security interest with respect to such assets.

We may enforce that security interest if you default in your obligations to us. Absent the exercise of any right of use by us (see below), only at the point of such enforcement would title in such assets or their liquidation value transfer to us. We will record in our books and records that we have received such assets from you with respect to the applicable Client Transaction.

Prior to any such default, you may also give us a right to use such assets. Until such time as we exercise such right of use, the assets continue to belong to you (subject to our security interest). Once we exercise the right of use, (e.g. by posting the assets to a CCP), the assets will cease to belong to you and in effect become our asset, at which point you will bear our credit risk in a similar way to the title transfer arrangements. The circumstances in which we may exercise such right of use and the purposes for which we may use any assets will be set out in the client clearing agreement between us.

What is the impact if the title transfer relates to cash?

As far as French law is concerned, we, as a credit institution, are not required to segregate your cash collateral in a comparable manner as is done with "client money" where the FCA Client Money Rules are applicable. However, depending on the jurisdiction where the CCP is established, your risk could be mitigated by specific provisions of local laws⁵ and/or the relevant CCP rules.

How will any excess margin we call from you be treated?

We are required to treat excess margin in a particular way in relation to an Individual Client Account. Excess margin is any amount of assets we require from you or you provide to us in respect of a Client Transaction that is over and above the amount of assets the CCP requires from us in respect of the related CCP Transaction.

⁵ For instance, in case of a CCP authorised to provide clearing services in France, your risk should be substantially mitigated by the provisions of Articles L. 440-7 to L. 440-9 of the *Code monétaire et financier* which specify that in case of our default, our creditors and the creditors of the CCP may not claim to have any right over the collateral you transferred to us and the collateral we transferred to the CCP may be transferred to a non-defaulting clearing member.

If you choose an Individual Client Account we are required to pass all excess margin on to a CCP. If you provide us with assets which are not related to your individually segregated clearing activities at a particular CCP and such assets are not dedicated to cover your current positions with that CCP, then we do not need to post such assets on to that CCP. Also, if the excess margin you provide to us is not in the form of assets which are eligible to be posted to the CCP (in accordance with the CCP's rules), unless we agree otherwise, we have no obligation to transform such assets into assets that would be eligible to be posted to the CCP.

If you provide us (with our agreement) with collateral in the form of a bank guarantee in our favour, we are not required to post on to the CCP an amount of assets equal to the value of the portion of the bank guarantee which exceeds the amount of margin we have called from you in respect of the relevant Client Transaction(s).

In relation to an Omnibus Client Account, a Basic Omnibus Indirect Client or a Gross Omnibus Indirect Client Account, we are not required to pass any excess margin on to the CCP. Depending on the terms on which we hold excess margin, you may take credit risk on us in respect of it.

Will you get back the same type of asset as you originally provided to us as margin for a Client Transaction?

In a business as usual situation, whether we will deliver the same type of asset to you that you originally provided to us will be governed by the client clearing agreement between us.

In the event of our default, if you are due a payment, you may not receive back the same type of asset that you originally provided to us. This is because the CCP is likely to have wide discretion to liquidate and value assets and make payments in various forms, and also because the CCP may not know what form of asset you originally provided to us as margin for the Client Transaction and as a result of any asset transformation services we may provide. This risk is present regardless of what type of client account you select.

Please see [Part One C](#) for a consideration of the main insolvency concerns.

Part One C: What are the main insolvency considerations?

General insolvency risks

If we enter into insolvency proceedings, you may not receive all of your assets back or retain the benefit of your positions and there are likely to be time delays and costs (e.g. funding costs and legal fees) connected with recovering those assets. These risks arise in relation to Individual Client Accounts, Omnibus Client Accounts, Basic Omnibus Indirect Client Accounts and Gross Omnibus Indirect Client Accounts because:

- except for CCP-specific porting solutions described earlier and the comments below under "*Margin rights*", you will not have any rights directly against the CCP; and you will only have contractual claims against us (i.e. rather than being able to recover particular assets as owner);
- our insolvency proceedings are most likely to be a version of a process called administration (i.e. under French law, safeguard proceeding (*sauvegarde*) or judicial reorganisation (i.e. under French law, *redressement judiciaire*)), although it is possible

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for us to enter into a judicial liquidation (i.e. under French law, *liquidation judiciaire*). In safeguard or judicial reorganisation, subject to a few exceptions, you will not be able to take any action against us while such proceedings are on-going. However, your rights under the Clients Transactions and associated collateral should be protected in accordance with the provisions of Articles L. 211-36 and seq. of the *Code monétaire et financier* (transposing the relevant provisions of the EU Collateral Directive) and any specific or local provisions applicable to the CCP⁶;

- any stage of a cleared transaction (e.g. Indirect Client Transactions, Client Transactions, CCP Transactions and porting) may be challenged by our insolvency official if, broadly speaking, it was not on arm's length terms. If successful, the court has broad powers to unwind or vary all of those stages; and in addition to the insolvency proceedings set out above, as a French credit institution, we may be subject to other measures taken by the French supervisory authority (please see "*French Reorganisation Banking Act (Loi de séparation et de régulation des activités bancaires) 2013*").

As a credit institution incorporated in France, most of our insolvency-related questions will be determined by French law. Additionally we may act through our London branch for the purposes of the client clearing activity. As a general rule, English courts will not put branches of foreign entities into English insolvency proceedings, a position which is reinforced by EU law. This means that, despite us acting through an English branch, most of our insolvency-related questions will be determined by French law. It should however be noted that:

- In relatively limited cases, English courts may have insolvency jurisdiction even in relation to a London branch; and
- The interaction of key default issues – e.g. porting, recovery of assets, close-out netting and other insolvency matters – are likely to be determined by a combination of English law, French law, the law(s) which apply to the CCP and the CCP rules, and the law of the location of any collateral.

We suggest that you take legal advice on the interaction of these legal systems because it is beyond the scope of this disclosure.

Please also note that:

- Insolvency law may override the terms of contractual agreements, so you should consider the legal framework as well as the terms of disclosures and legal agreements; and
- A large part of your protection comes from CCP arrangements and the legal regimes surrounding them. Therefore, you should understand these in order to evaluate the level of protection that you have on our default. It is important that you review the relevant disclosures by the CCP in this respect.

Insolvency of CCPs and others

Except as set out in this section "*Insolvency of CCPs and others*", this disclosure deals only with our insolvency. You may also not receive all of your assets back or retain the benefit of

⁶ see footnote 3.

your positions if other parties in the clearing structure – e.g. the CCP itself, a custodian or a settlement agent - default.

In relation to CCP insolvency, broadly speaking our (and therefore your) rights will depend on the law of the country in which the CCP is incorporated (i.e. not necessarily the laws of the State where we are incorporated) and the specific protections that the CCP has put in place. You should review the relevant CCP disclosures carefully in this respect and take legal advice to fully understand the risks in this scenario.

In addition, please note the following:

- we expect that an insolvency official will be appointed to manage the CCP. Our rights against the CCP will depend on the relevant insolvency law and/or that official;
- It will be difficult or impossible to port CCP Transactions and related margin, so it would be reasonable to expect that they will be terminated at CCP level. The steps, timing, level of control and risks relating to that process will depend on the CCP, its rules and the relevant insolvency law. However, it is likely that there will be material delay and uncertainty around when and how much assets or cash we will receive back from the CCP. Subject to the bullet points below, it is likely that we will only receive back only a percentage of assets available depending on the overall assets and liabilities of the CCP;
- It is unlikely that you will have a direct claim against the CCP because of the principal-to-principal model described in Part One A;
- Under the client clearing agreement, Client Transactions will terminate at the same time as the matching CCP Transactions unless the relevant CCP rules provide otherwise. This will result in a net sum owing between you and us. However, your claims against us are limited recourse so that you will only receive amounts from us in relation to Client Transactions if we receive equivalent amounts from the CCP in relation to relevant CCP Transactions;
- If recovery of margin in this scenario is important, then you should explore “bankruptcy remote” or “physical segregation” structures offered by some CCPs. These tend to be offered only in relation to Individual Client Accounts and generally involve either:
 - you or us retaining assets in your/our name and only giving a security interest over that margin to the CCP (i.e. it allows the CCP to apply margin if we default but should keep the assets out of the CCP's general insolvency if it defaults); or
 - the CCP holding the assets in a blocked or controlled margin account and giving a security interest (or similar legal right) over the margin back to us, to you and/or to a trustee on our behalf.
 - It is beyond the scope of this disclosure to analyse such options but your due diligence on them should include analysis of matters such as whether other creditors of the type described in “Porting – preferential creditors” below will have priority claims to margin; whether margin or positions on one account could be applied against margin or positions on another account (notwithstanding the contractual agreement in the CCP's rules); the likely time needed to recover margin; whether the margin will be recovered

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as assets or cash equivalent; and any likely challenges to the legal effectiveness of the structure (especially as a result of the CCP's insolvency).

Margin rights

If you provide assets to us by way of security interest and we have not exercised a right of use over those assets, then you should have a legal right to recover the balance of those assets (after settling your obligations to us) ahead of other creditors. However, please note that, depending on the exact set up of our security arrangements, it may be that some preferential creditors will still have a prior claim to your assets (please see "*Porting – preferential creditors*" below which deals with a similar point).

If you have retained the assets (e.g. in a custody account over which you have given us a security interest) then you will have the best chance of recovering them. If you have transferred the assets to us by way of security then you bear more risk if there is a shortfall in any of the assets that we are holding. Generally speaking, your risk of loss will be highest in relation to cash margin; lower in relation to securities held by us in an omnibus account; and lower still if securities are segregated in our books and records and at custody level identifying you as the client.

Where you transfer Transferred Assets to us, we become the *full owner* of such assets and you have a claim against us to receive the Equivalent Assets in the circumstances set out in the client clearing agreement. In the event of our insolvency, you do not have any ownership right on the Equivalent Assets but a claim against us.

That said, depending on the jurisdiction where the CCP is established, your risk could be mitigated by specific provisions of local laws⁷ and/or the relevant CCP rules.

The actual result will be highly fact specific and will depend on, amongst other things, the exact terms of our legal arrangements⁸; how we have operated accounts; and claims that other intermediaries (e.g. custodians and settlement systems) have to those assets.

We do not expect the above position to change materially if you have an Individual Client Account, Omnibus Client Account, Basic Omnibus Indirect Client Account or Gross Omnibus Indirect Client Account.

Close-out netting

If we default and the CCP cannot port the CCP Transactions and collateral (e.g. because a back-up clearing member which is prepared to accept such positions cannot be found or, ordinarily, because the relevant positions are in a Basic Omnibus Indirect Client Account) then we would expect the CCP to terminate and net our CCP Transactions and apply related assets in accordance with the CCP rules.

If the CCP declares us to be in default, the provisions of the client clearing agreement will apply, in particular the provisions relating to close-out netting. The Client Transactions will

⁷ For instance, EMIR Art 48(7) which provides that "Any balance owed by the CCP after the completion of the clearing member's default management process by the CCP shall be readily returned to those clients when they are known to the CCP or, if they are not, to the clearing member for the account of its clients".

⁸ For instance, the deed of assignment/security deed which is part of the LCH Clearnet Limited SwapClear OTC client clearing offering.

be terminated and netted with related assets in accordance with the provisions of the client clearing agreement. As a matter of principle, Articles L. 211-36 and seq. of the *Code monétaire et financier* give effect to such provisions and Articles L. 211-38 and seq. of the *Code monétaire et financier* allow the enforcement of collateral arrangements and the netting with the corresponding debts and claims arising from the Client Transactions, including in case of insolvency proceedings.

In this respect, there are certain industry-wide legal opinions that are being prepared on the effectiveness of close-out netting provisions in standard client clearing agreements. You should seek your own legal advice and/or access to industry wide legal opinions, if any, for more information in this respect.

Please also note more generally that your freedom to close out Client Transactions is more limited under the client clearing agreement than in other arrangements that you may be used to. In particular, the main termination event under our client clearing agreement is that the relevant CCP has declared us to be in default under the CCP's rules. The intention is to match the treatment of CCP Transactions and Client Transactions as much as possible. However, this may mean that – unless the CCP declares a default under its rules - you cannot terminate Client Transactions for common reasons such as a payment or insolvency default on our part.

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Porting - prohibition

As mentioned above, except in specific (e.g. physically segregated) structures, a CCP only owes us (not you) obligations in relation to CCP Transactions and related assets.

As a result, when these contracts and assets are transferred to a back-up clearing member, there is a risk of insolvency challenge because our rights have effectively been taken from us on or around the time of our insolvency. Applicable laws may not permit this and there is a risk that the courts may therefore not permit, or may unwind, any porting and related Client Transactions with your back-up clearing member.

That said, depending on the jurisdiction where the CCP is established and pursuant to specific provisions of local laws⁹, this risk of challenge could be mitigated in relation to CCP Transactions and matching transfer of Client Transactions that are ported in accordance with the default rules of the CCP.

Porting - preferential creditors

As mentioned under “*What happens if we are declared to be in default by a CCP?*” in Part One A, a CCP’s porting structure may be based on or supported by a security interest. This can take different forms but generally involves us creating security over our rights against the CCP in relation to an Individual Client Account, Omnibus Client account or Gross Omnibus Indirect Client Account in your favour. Broadly speaking, the security interest should support the argument that these assets are not part of our insolvency estate (i.e. are not to be shared with our other creditors).

However, depending on the exact structure, insolvency law gives certain statutory creditors priority over secured creditors. This means that some creditors may have a claim on client account assets ahead of you. Statutory creditors are likely to include, amongst others, our insolvency official (e.g. in respect of its costs and expenses), a relatively small amount of unsecured creditors, some employee salaries and pension contributions.

That said, depending on the jurisdiction where the CCP is established and pursuant to specific provisions of local laws¹⁰, this risk of challenge could be mitigated in relation to CCP Transactions and matching transfer of Client Transactions that are ported in accordance with the default rules of the CCP

Mismatch of CCP/Client Transactions and assets

It could be that our net assets in relation to CCP Transactions do not match our net obligations to each other in relation to the matching Client Transactions. This can slow down or make porting impossible either operationally or legally.

For example, this may arise at CCP level as a result of Fellow Client Risk (see the explanation of this term in Part Two of this document) in an Omnibus Client Account or

⁹ see footnote 3.

¹⁰ As above.

Gross Omnibus Indirect Client Account, with the result that there are insufficient assets available for porting to satisfy our obligations to you in relation to the Client Transactions.

Alternatively, it could be that all of your Client Transactions with us are netted automatically as a result of French insolvency law (please see above under “*Close-out netting*”).

French Reorganisation Banking Act (loi de séparation et de régulation des activités bancaires) 2013

The French Reorganisation Banking Act applies to BNP Paribas as a French credit establishment. In serious circumstances, the *Autorité de contrôle prudentiel et de résolution* (ACPR, i.e. the French relevant supervisory authority) may decide a transfer of all or part of our assets and liabilities to a third party. In that case, your counterparty and/or your counterparty risk may change. It is unlikely that you will be able to stop such transfer or to enforce any early termination rights against us as a result of such transfer.

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Part One D: Disclosure of general terms and conditions of Indirect Clearing Arrangements

1. Introduction

In accordance with the provisions of the Indirect Clearing RTS, we are required to disclose the general terms and conditions pursuant to which we provide to our clients indirect clearing services with respect to exchange-traded derivatives contracts that are cleared by a CCP. This document in particular addresses the requirements set in Article 2(1)(b) and Article 4(1) of the Indirect Clearing RTS.

The term “**indirect clearing services**” refers to the circumstances where we are a clearing member of an EU CCP and our direct client is an intermediary with clients of its own who are using our clearing services via that intermediary.

2. Description of general terms and conditions of indirect clearing arrangements

A general description of the principal terms and conditions governing our relationship with our clients to whom we offer indirect clearing services is set out below. The actual terms and conditions are to be set out in detail in the agreement between us, including all schedules and appendices thereto, that we enter into with you for such purposes (the “**Agreement**”). Please note that the specific terms and conditions of the Agreement that we enter into with any client may differ depending on our analysis of the risks that the trading activities of such client, or of the indirect client of such client, may present. We will also take into account normal due diligence considerations, including credit risk issues in deciding whether to make direct clearing services or related indirect clearing services available to any particular person.

Before providing indirect client services to you, we will generally require that you:

- provide us with such information that we may request in order to verify your identity as required by law or as we may otherwise require for account opening purposes.
- confirm to our satisfaction that you are a credit institution (authorised in accordance with Directive 2013/36/EU) or investment firm (authorised in accordance with Directive 2014/65/EU) or an entity established in a third country that would be considered to be a credit institution or investment firm if that entity were established in the European Union.
- confirm to our satisfaction that you provide clearing services to your clients constituting indirect clearing services, on reasonable commercial terms and you have publicly disclosed the general terms and conditions under which you provide those services. These terms should be agreed with us.
- confirm to our satisfaction that you meet our minimum financial resources and operational capacity requirements appropriate for your business, experience and the nature of the trading in which you or your clients intend to engage or for our clearing services which would be provided pursuant to the Agreement. You must agree to

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provide us with such financial information, including a current financial statement, as we may request from time to time and to notify us promptly of any material change in your financial condition.

- confirm that you will satisfy all requirements applicable to you as a client offering clearing services to your clients under the Indirect Clearing RTS.
- agree to assist us and take such action as we may reasonable require to enable us to identify, monitor and manage any material risks arising from the provision of indirect clearing services that could affect our resilience to adverse market developments. We shall establish internal procedures to ensure that this information cannot be used for commercial purposes.
- confirm to our satisfaction that you have established procedures which, following the occurrence of an event of default, will enable you to satisfy your obligations to provide us information about the indirect clients.
- acknowledge that you have read and understood all disclosure statements with respect to your trading activities that we have provided to you, including the appropriate clearing member disclosure document (the “**Clearing Member Disclosure Document**”) which could be found at: https://cib.bnpparibas.com/our-solutions/global-markets_a-34-39.html
- acknowledge that we will not be liable to you or to any of your clients for any losses that may be incurred except insofar as such losses are a direct result of our negligence, wilful default or fraud and, further, that in no event will we be liable for any consequential, direct or indirect losses or liabilities (whether in respect of taxation or otherwise).

In addition, the Agreement would include suitable representations made by you as to capacity and authority and the holding of necessary licences, provisions as to limits which we will set in relation to indirect clearing services, obligations on your part in relation to payments and deliveries due on exchange traded contracts cleared by us for your clients, and events of default and close-out provisions. Please note that this is a non-exhaustive list setting out significant provisions of the Agreement.

3. Fee Disclosures

Details of the costs associated with the different levels of segregation will be discussed before the service is made available to you.

4. Important

This document has been produced to meet the requirements of the Indirect Clearing RTS to disclose the general terms and conditions pursuant to which we provide our clients indirect clearing services with respect to exchange-traded derivatives contracts that are cleared by an EU CCP. Accordingly, these provisions are not intended to constitute or give rise to legally binding rights or obligations on the part of any person. Where we agree to make direct clearing services or related indirect clearing services available to you, the applicable terms and conditions specific to you will be set out in detail in the Agreement. However, this does not constitute an offer to make available direct clearing services or related indirect clearing services to any specific person. The offer of any such services would depend upon normal due diligence considerations.

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These general terms and conditions do not constitute legal or any other form of advice and must not be relied on as such. It is your responsibility and, where applicable, the responsibility of your clients to review and conduct independent due diligence on the relevant rules, legal, contractual and other documentation and any other information provided on each of the account offerings and those of the various EU CCPs on which we would clear derivatives for you and your clients pursuant to the Agreement. You and/or your clients may wish to appoint independent professional advisors to assist with this.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based.

Part Two: CCP client account structuresⁱ

As noted in Part One B, each CCP may offer at least one Omnibus Client Account and/or at least one Individual Client Account by changing some of the features. This Part Two contains an overview of the main levels of segregation with respect to direct clearing and within each account type which is likely to be offered with respect to indirect clearing, together with an overview of the main protections afforded by and the main legal implications of each account type.

The descriptions given in this Part Two are very high level and consider the typical features of these client account types and the minimum requirements for indirect client account types under the Indirect Clearing RTS, and the respective levels of segregation. However, the particular characteristics of the accounts will affect the exact levels of protection they offer and the legal implications so you must review the information provided by the CCPs to fully understand the risks of the specific account we maintain in relation to you at each CCP.

Each CCP is required to publish information about the client account structures it offers under EMIR and we have provided a link to the relevant part of the website of each CCP we useⁱⁱ. You may also need to seek professional advice to understand the differences in detail. However, we hope that the questions raised and factors described in both parts of this document will help you to decide which questions to ask and to understand the impact of the answers you receive.

The descriptions have been prepared on the basis of publicly available disclosure documents made available by a selection of CCPs. We are not responsible for, and do not accept any liability whatsoever, for any content or omissions or inaccuracies contained in the information produced by any CCP. The descriptions of the indirect client accounts have been prepared on the basis of the minimum requirements in the Indirect Clearing RTS. Please note that the descriptions below may be impacted by the laws applicable to any CCP.

The Annex seeks to compare the main account types and levels of segregation against the following risks:

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Risks used to compare each account type and level of segregation	Explanation of risk
Transit Risk	Whether you are exposed to us at any point in the process of providing or receiving margin in respect of Client Transactions.
Fellow Client Risk	Whether assets provided to the CCP in respect of CCP Transactions related to you/your clients could be used to cover losses in CCP Transactions relating to another client/clients of another client.
Liquidation Risk	Whether, if the CCP Transactions and assets relating to them were to be ported, there is a risk that any non-cash assets would be liquidated into cash. If this were to happen, the value given to such assets by the CCP may differ from what you perceive to be the full value of the assets.
Haircut Risk	Whether the value of the assets that relate to CCP Transactions might be reduced or not increase by as much as you expect because the CCP applied a haircut that did not properly reflect the value of the asset.
Valuation Mutualisation Risk	Whether the value of the assets that relate to CCP Transactions could be reduced or not increase by as much as you expect because the assets posted in relation to other clients' CCP Transactions have decreased in value.
CCP Insolvency Risk	Whether you are exposed to the insolvency or other failure of the CCP.

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Typical client account characteristics

	Net Omnibus Client Account	Basic Omnibus Indirect Client Account	Gross Omnibus Client Account	Gross Omnibus Indirect Client Account	Individual Client Account
Who will the CCP Transactions recorded in the account relate to?	Net Omnibus Client Accounts record both assets and CCP Transactions that relate to you and the assets and CCP Transactions that relate to one or more of our other clients.	Basic Omnibus Indirect Client Accounts record assets and CCP Transactions that relate to your clients that have opted for a Basic Omnibus Indirect Client Account and the assets and CCP Transactions that relate to the clients of our other clients that have opted for Basic Omnibus Indirect Client Account.	Gross Omnibus Client Accounts record assets and CCP Transactions that relate to you and the assets and CCP Transactions that relate to one or more of our other clients.	Gross Omnibus Indirect Client Accounts record assets and CCP Transactions that relate to your clients that have opted for a Gross Omnibus Indirect Client Account.	Only assets and CCP Transactions that relate to you should be recorded in an Individual Client Account.
Which losses can assets recorded in the account be used for?	Assets that are provided to the CCP as margin for a CCP Transaction recorded in a Net Omnibus Client Account may be used to cover any losses in that account, whether such losses relate to the CCP Transactions relating to you or CCP Transactions relating to	Assets that are provided to the CCP as margin for a CCP Transaction recorded in a Basic Omnibus Indirect Client Account may be used to cover any losses in that account, whether such losses relate to the CCP Transactions relating to your clients or CCP Transactions relating to clients of our other clients (but will not be used to cover any losses relating to house transactions).	Assets that are provided to the CCP as margin for the CCP Transactions recorded in a Gross Omnibus Client Account may be used to cover any losses in that account, whether such losses relate to the CCP Transactions relating to you or CCP Transactions relating to another client.	Assets that are provided to the CCP as margin for the CCP Transactions recorded in a Gross Omnibus Indirect Client Account may be used to cover any losses of any of your clients in that account (but will not be used to cover any losses relating to house transactions).	Assets that are provided to the CCP as margin for CCP Transactions recorded in an Individual Client Account may only be used to cover losses in that account.

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	Net Omnibus Client Account	Basic Omnibus Indirect Client Account	Gross Omnibus Client Account	Gross Omnibus Indirect Client Account	Individual Client Account
	another client.				
Will the CCP know which CCP Transactions and types of assets relate to you / your clients?	The CCP may not know which CCP Transactions and assets recorded in a Net Omnibus Client Account relate to you.	The CCP may or may not know which CCP Transactions and assets recorded in a Basic Omnibus Indirect Client Account relate to your individual clients.	The CCP may not know which CCP Transactions and assets recorded in a Gross Omnibus Client Account relate to you.	The CCP will know which CCP Transactions relate to your clients, but may not know which types of assets relate to your clients.	Yes
Will the CCP record the assets provided by value only or will it identify the type of asset provided?	The CCP may identify in its records the type of asset provided as margin for the Net Omnibus Client Account but will not be able to identify which type of assets relate to any client's CCP Transactions within that Net Omnibus Client Account.	The CCP may identify in its records the type of asset provided as margin for the net Omnibus Client Account but will not be able to identify which type of assets relate to any client's CCP Transactions within that net Omnibus Client Account.	The CCP may identify in its records the type of asset provided as margin for the Gross Omnibus Client Account but is unlikely to be able to identify anything other than the value of the assets provided in respect of any client's CCP Transactions within that Gross Omnibus Client Account.	The CCP may identify in its records the type of asset provided as margin for the Gross Omnibus Indirect Client Account but is unlikely to be able to identify anything other than the value of assets provided in respect of any of your client's CCP Transactions within that Gross Omnibus Indirect Client Account.	The CCP should identify in its records the type of asset provided as margin for an Individual Client Account.
Will the CCP Transactions recorded in the account that relates to you be netted	It is likely that the CCP Transactions recorded in the	It is likely that CCP Transactions that relate to you may be netted with CCP	CCP Transactions that relate to you should not be netted with CCP Transactions	CCP Transactions relating to any one of your clients in the account will be netted with other CCP Transactions	No

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	Net Omnibus Client Account	Basic Omnibus Indirect Client Account	Gross Omnibus Client Account	Gross Omnibus Indirect Client Account	Individual Client Account
against CCP Transactions that relate to our other clients?	account will be netted. This means that CCP Transactions that relate to you may be netted with CCP Transactions that relate to our other clients whose CCP Transactions are recorded in the same Net Omnibus Client account.	Transactions that relate to our other clients whose CCP Transactions are recorded in the same net Omnibus Client Account.	relating to any of our other clients recorded in the same Gross Omnibus Client Account.	relating to that same client. However, CCP Transactions relating to that client should not be netted with CCP Transactions relating to any of your other clients recorded in the same Gross Omnibus Indirect Client Account.	
Will the margin be calculated on a gross or net basis?	The margin will be calculated on a net basis.	The margin will be calculated on a net basis.	The margin will be calculated on a gross basis.	The margin will be calculated on a gross basis.	The margin requirement for an Individual Client Account will typically be calculated on a net basis.
Will you have to enter into any documentation or operational arrangements directly with the CCP?	You may have to enter into legal documentation to which the CCP is party. It is unlikely that you will have to set up any operational arrangements with the CCP directly.	You may have to enter into legal documentation to which the CCP is party. It is unlikely that you will have to set up any operational arrangements with the CCP directly.	You may have to enter into legal documentation to which the CCP is a party. It is possible but unlikely that you will have to set up operational arrangements with the CCP directly.	You may have to enter into legal documentation to which the CCP is party. It is possible but unlikely that you will have to set up some operational arrangements with the CCP directly.	You may have to enter into legal documentation to which the CCP is a party. It is also possible that you will have to set up some operational arrangements with the CCP directly.

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	Net Omnibus Client Account	Basic Omnibus Indirect Client Account	Gross Omnibus Client Account	Gross Omnibus Indirect Client Account	Individual Client Account
Transit Risk	Yes	Yes. Transit risk may be mitigated if margin were to be held in the form of cash as client money.	Yes	Yes. Transit risk may be mitigated if margin were to be held in the form of cash as client money.	Yes
Fellow Client Risk	Yes	Yes	Yes	Yes	No
Liquidation Risk	Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first).	Yes	Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first).	Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first).	Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first).
Haircut Risk	Yes	Yes	Yes	Yes	Yes
Valuation Mutualisation Risk	Yes	Yes	Yes	Yes	No
CCP Insolvency Risk	Yes	Yes	Yes	Yes	Yes
How likely it is that porting will be achieved if we default?	There is a significant risk that porting will not be achieved in respect of positions and assets recorded in a Net Omnibus Client account.	Unlikely	There is a significant risk that porting will not be achieved in respect of positions and assets recorded in a Gross Omnibus Client account.	If you have satisfied all of the CCP's and back-up clearing member's conditions, porting is more readily facilitated in the event of our default.	If you have satisfied all of the CCP's and back-up clearing member's conditions, porting is more readily facilitated in the event of our default.

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Additional features that may be available for Individual Client Accounts

Some CCPs may offer additional Individual Client Accounts with special features that have been designed to mitigate certain of the risks identified under “*Typical account structures*” above. Below is a high level overview of some of the common additional features. The extent to which any risks are mitigated by these additional features, if at all, will depend on the structures used by an individual CCP. Again, therefore, you must review the information provided by the CCPs in order to evaluate the actual risks to you and you may need some professional advice. It is likely that these additional features will only be available to certain types of clients that meet each CCP’s requirements. These additional features are not required by EMIR. Accordingly, not all CCPs will offer them nor are we obliged to facilitate access to them.

Additional feature	High level overview of the additional feature	Which risks might this feature mitigate?
<p>Extended porting period</p>	<p>In the event of our default, this feature has been designed to allow more time for porting to be achieved.</p> <p>For a set period of time (decided by the CCP) following our default, the CCP Transactions and assets that relate to you will continue to be held in an account which the CCP will identify as directly relating to you. If you find a back-up clearing member, these CCP Transactions and assets will then be transferred to one of their client accounts. If you do not find a back-up clearing member, they will be terminated and the close-out value returned to you.</p> <p>Where the CCP treats the Client as an interim Clearing Member, it is possible that the CCP may expect you to contribute to the default fund and may require additional margin, including variation margin, to be provided in respect of the CCP Transactions transferred to you.</p> <p>It is possible that you may have to set up such accounts as the CCP requires and have the ability to make payments directly to the CCP. The CCP may also have an additional list of requirements that you will have to satisfy to be able to use the extended porting period.</p>	<p>This may make porting more likely to be achieved.</p>
<p>Separate custody account (in the name of the CCP) for the assets that have been provided as margin for positions relating</p>	<p>The assets relating to your positions are held in a separate account (in the CCP’s name) at the CCP’s custodian from any other assets held for the CCP.</p> <p>It is likely that you will have to enter into additional legal documentation with us and the CCP.</p>	<p>This may make porting more likely to be achieved.</p>

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to you		
Ability for you to keep assets required as margin for positions relating to you in a custody account in your name.	<p>It is likely that you will have to enter into additional legal documentation and security arrangements with us and the CCP, and any custodian or settlement bank used under this structure.</p> <p>This additional feature may be restricted to certain types of non-cash assets.</p> <p>The custodian may be specified by or require the approval of the CCP.</p> <p>There will be additional operational requirements that you will need to meet in order to use this type of additional feature.</p>	<p>Transit Risk</p> <p>CCP Insolvency Risk</p> <p>This may make porting more likely to be achieved.</p>
Ability for you to post margin directly to the CCP.	<p>You may be able to post margin directly to the CCP rather than you posting it to us, and us in turn posting it on to the CCP.</p> <p>This form of account may require you to have an account with particular custodians and settlement banks. The custodians and settlement banks are likely to be specified by the CCP.</p> <p>You will have to enter into additional legal documentation with us and the CCP.</p> <p>There will be additional operational requirements which you will need to meet in order to use this type of additional feature.</p>	<p>Transit Risk</p>

Links to CCP disclosure documents

Please note that these links have been included for convenience only. In the event that any of them do not work, you should contact the relevant CCP directly.

BME Clearing, S.A., Sociedad Unipersonal:

<http://www.bmeclearing.es>

Cassa di Compensazione e Garanzia S.p.A.:

<http://www.ccg.it/jportal/pcontroller/>

Eurex Clearing AG:

<http://www.eurexclearing.com/clearing-en/risk-management/client-asset-protection>

ICE Clear Europe Limited

<https://www.theice.com/clearing.jhtml>

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LCH Clearnet SA:

<http://www.lchclearnet.com>

LCH Ltd & SA:

<http://www.lch.com/members-clients/members/fees-ltd/annual-account-structure-fees?inheritRedirect=true>

LME Clear Limited:

<http://www.lme.com/lme-clear/rules-and-regulations/>

Nasdaq OMX:

<http://www.nasdaqomx.com/europeanclearing/newsmandatorychanges/segregationportabilit>
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ⁱ In preparing this document reference has been made to the client account disclosure documentation made available on the websites of the following CCPs: LCH Limited, Eurex Clearing AG and CME Clearing Europe Limited as at 24 October 2013.

ⁱⁱ The links are to the documents used to prepare the summary in Part Two. It is not clear whether these are the documents published by the CCPs pursuant to Article 39(7) and we assume they may be updated in due course in any event.

