COM THIRD PARTY EXCHANGE TRANSACTION CLEARING PROCEDURES

1. Application

1.1. These COM Third Party Exchange Transaction Clearing Procedures contain detailed provisions on the registration and processing of COM Clearing Requests in respect of COM Third Party Exchange Transactions, and form an integral part of the Clearing Rules.

2. Submittal of COM Clearing Request

2.1. COM Third Party Exchange Transactions will be subject to clearing only where the parties to such Transaction have so elected, and have notified the relevant COM Third Party Exchange of such election in accordance with the procedures of such COM Third Party Exchange.

2.2. Any COM Third Party Exchange will provide the Clearing House with information of all COM Third Party Exchange Transactions registered on such COM Third Party Exchange which the parties have elected to have cleared at the Clearing House immediately following such registration, including the terms of each COM Third Party Exchange Transaction and the parties involved. Such notification by the COM Third Party Exchange shall constitute a COM Clearing Request.

3. Registration

3.1. The Clearing House decides in its sole discretion whether or not to approve a COM Clearing Request in respect of a COM Third Party Exchange Transaction on a continuous and revolving basis. The Clearing House shall not become counterparty to any such COM Third Party Exchange Transaction or COM Clearing Request, and will only be Counterparty to the corresponding Contract(s) when it has been Recorded following Registration.

3.2. Once a COM Clearing Request has been received by the Clearing House, both parties to the COM Third Party Exchange Transaction must affirm the existence of such COM Third Party Exchange Transaction and its terms in the Clearing System, or via such other process as the Clearing House may approve from time to time. Such affirmation must occur prior to the close of Clearing House Opening Hours on the Bank Day following the receipt of the COM Clearing Request. If such affirmation is not received from both parties by such time, the Clearing House may ask the COM Third Party Exchange to affirm the existence of such COM Third Party Exchange Transaction and its terms. Any such affirmation by the COM Third Party Exchange shall constitute a valid affirmation by the parties.

3.3. As soon as a COM Clearing Request has been affirmed by both parties involved in accordance with Section 3.2, the Clearing House shall carry out Prenovation Checks and Exposure Limit Checks.

3.4. If all relevant Prenovation Checks and Exposure Limit Checks are passed, the Clearing House shall approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract.

3.5. If any relevant Prenovation Check and/or Exposure Limit Check is not passed, the Clearing House shall either a) decide (at its discretion) to approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract, or b) immediately notify the relevant COM Clearing Member(s) and shall inform them of the amount of extra collateral (if any) that needs to be posted to pass the Prenovation Check.

3.6. A Clearing Member can request that the Clearing House reviews the relevant Exposure Limit. Any increase in such Exposure Limit is entirely at the Clearing House’s discretion, and if such increase is approved, sufficient extra collateral must be posted to cover the increased Exposure Limit.
3.7. Once the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 3.5 above, extra collateral may be posted and/or an increase in the relevant Exposure Limit may be requested.

3.8. At any point after the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 3.5 above, such Clearing Member may request that the Clearing House carry out a new Prenovation Check and/or Exposure Limit Check. The Clearing House has no obligation to re-run a Prenovation Check and/or Exposure Limit Check unless such re-run is requested by the relevant Clearing Member.

3.9. Subject to clause 3.10 below, if, after the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 3.5 above, the Clearing House re-runs the Prenovation Checks and/or the Exposure Limit Checks and they are passed, the Clearing House shall approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract.

3.10. If, at the end of Clearing House Opening Hours on the Bank Day after the COM Clearing Request was received by the Clearing House, any relevant Prenovation Checks and/or Exposure Limit Checks have not been passed, the Clearing House shall reject the COM Clearing Request and inform the Third Party Exchange of such rejection.

3.11. The Clearing House reserves the right to reject, cancel or refuse to approve any COM Clearing Request which in the Clearing House’s determination would contravene sound clearing operations, the Clearing Rules, applicable law, or where there is another reasonable foundation for rejection.

4. Suspension of COM Third Party Exchange Transaction Clearing

4.1. The Clearing House may at any time suspend registration and/or processing of Clearing Requests in respect of COM Third Party Exchange Transactions if the Clearing House in its own discretion deems this necessary due to market conditions or other reasons, including situations where the Clearing System is unavailable.

4.2. Resumption of COM Third Party Exchange Transaction Clearing shall take place when the Clearing House is reasonably satisfied that the cause of the suspension is no longer persisting, Clearing Requests will remain registered during suspension only to the extent this is technically possible applying commercially reasonable efforts.

4.3. The Clearing House shall inform Clearing Members and Customers about any suspension and resumption of the COM Third Party Exchange Transaction Clearing as soon as practicable.