Dear all,

This is to inform you of upcoming amendments to the Clearing Rules of NASDAQ OMX Derivatives Markets (the “Clearing Rules”).

The amendments presented herein will come into effect on 9 June 2014.

Please note that the amendments are subject to change following discussions with relevant regulatory authorities and consultation with clearing members.

Background

In connection with a technical update of GENIUM INET, the Clearing Rules will be amended on 9 June 2014:

- to provide for so-called Intraday Funding Collateral Custody Accounts (“IFCAA”) which enables a Clearing Member to post additional collateral to a separate custody account – the IFCAA – which will be taken into account when the Clearing House carries out prenovation checks on Individual Client Segregated Accounts (ICA) connected to such IFCAA;
- to extend the application of prenovation checks to take ups, and not only initial Registrations, of Generic Rate Instruments;
- to provide for the new automatic take up functionality; and
- to clarify that any reduction of a Loss Sharing Participant’s Loss Sharing exposure will be made on a pro-rata basis among the different Loss Sharing currency allocations (please note that this change is only of direct relevance to members clearing interest rate swaps at NASDAQ OMX Clearing and having contributed to the Loss Sharing Pool).

In addition certain changes have been made in the contract specifications.

Below follows a summary section-by-section of the changes that are being made to the Clearing Rules. Full text versions of amended Chapter 2 and Definitions are provided separately.

Chapter 2 of the Clearing Rules

Section 2.4.10a has been amended to reflect that additional collateral may also be posted to an IFCAA, if available, to pass a prenovation check.

Section 2.4.10b. This is a new section that sets out the special procedure which applies to a prenovation check in respect of an ICA for which the clearing member has assigned an IFCAA.

Sections 2.7.1, 2.7.13 and 2.7.15. Certain defined terms have been replaced to reflect amendments made in connection with the NOS merger in beginning of April.

Section 2.7.14. A reference to the automatic take up functionality has been added to clarify that confirmations of take ups are considered to be made automatically where the functionality has been activated by the clearing member. Clearing members that wants to use the functionality will be requested to fill out a form provided by the Clearing House and make the necessary configurations in the clearing system.

Section 2.8.7 has been amended to include information on the IFCAA, corresponding to the information provided in respect of other types of Custody Accounts.

Section 2.8.8a. This is a new section which sets out how collateral posted on an IFCAA may be used by the clearing house to cover obligations of a clearing member.
Section 2.10.3 has been amended to clarify that where a protest involves a request to transfer a Contract to another clearing account, such request shall be deemed an application for Registration and thus, where relevant, trigger a prenovation check.

**Chapter 3 of the Clearing Rules (Contract Specifications)**

Contract specifications 3.24 (STIBOR Futures) and 3.25 (2STAT-, 5STAT- and 10STAT – Futures) have been removed following de-listing. (No open interest is outstanding.)

Contract specifications 3.19A (STIBOR-FRA Options) and 3.20A (NIBOR-FRA Options) have been clarified to say that these instruments are clearing listed.

Contract specification 3.42 (NOK Interest Rate Swap) has been adjusted to reflect that NOK_IRS_3M is not technically available.

**Definitions**

A definition of Intraday Funding Collateral Custody Account has been added and the definition of Prenovation Checks has been amended.

**Appendix 17 Loss Sharing Rules**

Section 17 has been amended to say that if a Loss Sharing Participant’s Loss Sharing contribution has been allocated in accordance with section 7 of the Loss Sharing Rules to cover losses in different Currency Sub-Portfolios, then any reduction made under section 17 shall be made to the Loss Sharing contribution so allocated and available for losses in each Currency Sub-Portfolio on a pro-rata basis relative to such allocation. Please note that this change is only of direct relevance to members clearing interest rate swaps at NASDAQ OMX Clearing and having contributed to the Loss Sharing Pool.