Dear all,

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

This note includes information about proposed amendments in respect of:
- Cash Optimization.
- Intraday Funding Collateral Custody Account.
- Executing brokers for Generic Rates Instruments.
- New fixed income products and new features to certain existing fixed income products.
- Amendments and new features to certain existing equity derivative products.

The amendments presented herein are subject to consultation with the Swedish Securities Dealers Association and clearing members in accordance with the Rules. The amendments will come into effect on 20 April 2015, in connection with the the technical system release.

Please note that minor and editorial changes are not mentioned herein but can be found in the full text versions which are provided separately.

Cash Optimization

NASDAQ OMX Clearing AB (“Nasdaq Clearing”, the “Clearing House” or the “CCP”) is introducing changes to its service for collecting and managing collateral in its clearing operation (the “Collateral Management Service” or “CMS”). The changes aim to optimize the flows of collateral and cash settlement between the CCP and its counterparties. In brief, the CCP will use cash settlement amounts (primarily variation margin payments) due to the clearing member to cover initial margin requirements, and excess cash collateral will be used to cover cash settlement amounts due to the clearing house. To determine whether there is excess cash available the CCP will look at all posted collateral (cash, securities and, if applicable, bank guarantees). This new feature is referred to as “Cash Optimization”. More information about Cash Optimization, including contact details, is found on the Cash Optimization website:


Below follows a summary section-by-section of the changes that are being proposed to the Clearing Rules in respect of Cash Optimization.
**Chapter 1 of the Clearing Rules**

Certain provisions and in particular sections 1.8.6 and 1.10.2 have been amended, primarily to reflect changes to certain defined terms (Cash Settlement, Cash Settlement Amount, Delivery, Physical Settlement, Physical Settlement Amount and Settlement).

**Chapter 2 of the Clearing Rules**

Sections 2.2.1.5 and 2.2.2.5 regarding CMs’ obligation to be able to settle cleared contracts have been clarified.

Sub-section 2.2A (new) sets out the requirements on CMs and Direct Pledging Customers in relation to Cash Collateral Bank Accounts. This new provision is intended to clarify the requirements already applicable to Clearing Members (but new to Direct Pledging Customers) to open Cash Collateral Bank Accounts and issue a PoA to the relevant approved settlement bank, but also introduces an authorization by each CM and Direct Pledging Customer to the Clearing House to issue direct debits in relation to their Cash Collateral Bank Accounts, replacing the separate sign-on Mandate that is currently used by the Clearing House.

Section 2.4.10b has been amended to reflect the use of the new defined term End of Day Margin Determination.

Section 2.6.17 has been clarified.

Section 2.8.2. Wording relating to indirect pledging customer’s collateral has been moved to section 2.8.4.

Section 2.8.2a (new) clarifies that Collateral shall be valued as further set out in the Collateral List and sets out the terms and conditions under which the Collateral List may be amended.

Section 2.8.2b sets out that the CCP may require a clearing member or direct pledging customer to hold a certain amount of cash in a collateral custody account, corresponding to the Locked Currency Limit.

Section 2.8.4. See above at Section 2.8.2.

Section 2.8.7. A new paragraph has been included setting out the requirement to provide an account reference when manually (i.e. outside Cash Optimization) posting Collateral to the CCP and that Collateral missing such reference may not be taken into account to meet a margin requirement.

Section 2.8.7a is new and requires each clearing member or direct pledging customer to comply with any Locked Currency Limit determined by the CCP.

Section 2.8.12 is amended to reflect the introduction of a new defined term, End of Day Margin Determination and Clearing House Business Day.

Sections 2.8.14a is new and clarifies the significance of a positive Margin Requirement on a Margin Requirement Account, especially in relation to the rules applicable to a CCP default event.

Sections 2.8.14b-2.8.14d are new and details the calculations that the CCP shall perform in relation to collateral values and collateral surplus/deficits.

Sections 2.8.15-2.8.17 regarding margin requirements (including intraday and extraordinary margin requirements) have been revised. A paragraph containing a Direct Pledging Customers’ right to appoint a third party to administer the provision of collateral to the CCP has been moved to 2.8.18a.

Section 2.8.17a is new and sets out how multiple, simultaneous outstanding margin requirements shall be met.
2.8.18a. See above at 2.8.15.

Sections 2.8.19-2.8.20 regarding the provision of Collateral have been revised to reflect the operation of the Cash Optimization Service in collecting any outstanding Collateral that has not been provided at the requisite time.

Sections 2.8.20a-2.8.20c are new and, reflecting the key feature of the Cash Optimization Service, authorize the Clearing House to use Collateral Surplus to cover Cash Settlement Amounts due to be paid by the clearing member and vice versa. Section 2.8.20c specifically requires the clearing member or direct pledging customer to cover any remaining deficiency and entitles the CCP to provide any remaining surplus to the member or direct pledging customer.

Sections 2.8.21-2.8.21f are new and set out the terms and conditions under which Collateral Surplus may be returned following the introduction of Cash Optimization.

Sub-chapter 2.9 has been amended to reflect the use of the defined term Physical Settlement instead of Delivery.

Section 2.11.2 has been amended to reflect the use of the amended defined term Cash Settlement and a reference to the clearing members’ and direct pledging customers’ obligation to open Cash Collateral Bank Accounts have been included (replacing a similar reference in 2.11.16).

Section 2.11.3 has been moved from 2.11.6.

Section 2.11.5 has been amended to reflect the use of the new defined term Physical Settlement.

Section 2.11.6 has been removed. Corresponding provisions are included in 2.11.2 and 2.11.3, as set out above.

Section 2.11.7 has been redrafted to set out the CCP’s obligation to determine the Cash Settlement Amount and what is included in such amount.

Section 2.11.8 regarding the Clearing House’s calculation of Cash Settlement Amounts and provision of a Cash Settlement Report has been clarified.

Section 2.11.8a is new and, reflecting the key feature of the Cash Optimization Service, sets out that amounts due to or from the Clearing House in Settlement shall be used to set-off as applicable any Collateral Surplus or Collateral Deficiency in accordance with sections 2.8.20a and 2.8.20b.

Sections 2.11.9-2.11.11 regarding the CCP’s cash settlement cycle have been amended to reflect the new defined terms that have been introduced, that Direct Pledging Customers are expected to settle their obligations with the CCP directly (and not as previously through their Clearing Account Administrators), and the operation of the Cash Optimization Service in general. USD settlement has been included in this provision (and the separate sections 2.11.12-2.11.13 on USD settlement have been removed).

Sections 2.11.12-2.11.13. See above at 2.11.9-2.11.11.

Sections 2.11.15-2.11.27 on physical settlements have been clarified and amended to reflect the use of the new defined terms Central Securities Depository, Clearing House Business Day, Physical Settlement, Physical Settlement Amount and Physical Settlement Report.

Section 2.11.30 has been redrafted to better distinguish between “netting” and “payment netting” in connection with the Cash Optimization Service. It now provides that netting of Cash Settlement Amounts and Physical Settlement Amounts may not occur across client accounts, but that such payment netting as is carried out in the Cash Optimization Service is allowed.
Section 2.11.36 has been amended to reflect that Direct Pledging Customers will settle their obligations with the CCP directly.

Section 2.12.18 has been amended to reflect the use of the new defined terms Cash Settlement Amount and Physical Settlement Amount.

Sub-chapter 2.13 is new and sets out the terms and conditions under which the Clearing House operates the Cash Optimization Service.

Section 2.13.1 states that the Clearing House will create one or several so-called Cash Optimization Accounts (as defined) for each Clearing Member or Direct Pledging Customer.

Section 2.13.2 sets out that the Clearing House will provide a Payments Report setting out the payments due in each applicable currency.

Section 2.13.3 provides that the Clearing House’s calculations in respect of currency amounts to be paid shall be made in accordance with the Procedures, a document which alongside the Clearing Rules will set out the details of the Cash Optimization Service and which will be made available on the Clearing House website.

Section 2.13.4 clarifies the significance of the Cash Optimization Account and that all payments made to and from such account shall be deemed provided to or from each of the relevant Cash Optimization Accounts at such times that the amounts set out in the Payments report are made to and from the CCP.

Section 2.13.5 sets out that payments set out in the Payments report shall be made in accordance with the direct debit facility and that the Clearing Member or Direct Pledging Customer is responsible to have the requisite funds in its relevant bank account for such payment to be made.

Section 2.13.6 states that the Cash Optimization Service shall be operated in accordance with the Procedures, subject that the Rules shall prevail in the event of conflict.

Definitions

- The following defined terms have been added:


- The following existing defined terms have been amended to reflect the operation of the Cash Optimization Service:


- The following existing defined terms have been removed:

  Delivery, Delivery Amount, and Mandate.

In addition, minor changes have been made to certain definitions to reflect changes to other defined terms.
Intraday Funding Collateral Custody Account

Clearing Rules

Section 2.8.8a has been amended to make it possible to set up an Intraday Funding Collateral Custody Account as part of a Client Account, thereby enabling General and Direct Clearing Members to avoid the safekeeping fees in respect of Collateral excess on Client Accounts, while at the same time achieving client segregation.

Executing brokers for Generic Rates Instruments

Certain changes are proposed in section 2.4 on registration of Transactions to allow executing brokers, who have not entered into a Default Management Commitment Agreement (DMC), to clear Transactions in Generic Rates Instruments acting as a Client through a DMC Clearing Member. In this connection, certain other clarifications have been made relating to Registration of Transactions in general as shown in the full text versions of the Rules.

Clearing Rules

Section 2.4.4 has been amended to clarify that not only Transactions that are executed by a Clearing Member may be submitted for clearing. As before, the application for Registration must be confirmed by the relevant Clearing Members.

Section 2.4.4a has been amended to clarify that a Contract in a Generic Rates Instrument that has been mistakenly recorded in the accounts of a Clearing Member that is not a DMC Clearing Member is void.

Sections 2.4.6, 2.4.10a, and 2.4.11 have also been amended for clarification purposes.

New fixed income products and new features to certain existing fixed income products

The following amendments will be made for fixed income related products. None of the proposed changes affects outstanding contracts.

<table>
<thead>
<tr>
<th>Section</th>
<th>Product</th>
<th>Amendments</th>
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<tbody>
<tr>
<td>3.32 old</td>
<td>SEK_OIS</td>
<td>Specification is removed as it covers the old version of OIS which has been</td>
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<td>de-listed.</td>
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<tr>
<td>3.32 new</td>
<td>NOK_FRA</td>
<td>Addition of new product.</td>
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<td>3.33</td>
<td>SEK_FRA_3M</td>
<td>Added new sub-chapter explaining reference rate, prolonged time for trade</td>
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<td>registration via an external system.</td>
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<tr>
<td>3.34</td>
<td>SEK_OIS_TN</td>
<td>Modifications to allow for additional features, clarification of reference</td>
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<td>rate, prolonged time for trade registration via an external system.</td>
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<td>3.35</td>
<td>DKK_FRA</td>
<td>Addition of new product.</td>
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<td>3.36</td>
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<td>A clarification regarding handling of Floating interest rate amount</td>
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<td>payments when interest rates are negative has been included in the</td>
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<td>Floating interest rate amount (Flam) sub-section.</td>
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Amendments and new features to certain existing equity derivative products

The following amendments will be made for equity derivatives related products.

Tailor Made Contracts are renamed to Flexible Contracts

In order to use internationally established product terminology Nasdaq Clearing will rename Tailor Made Instruments (Tailor Made Contracts) on equity and index derivatives to Flexible Instruments (Flexible Contracts). All references to TM Contracts, TM Cleared Instruments and TM Contracts have been updated accordingly throughout the Rules. Please note that the expression Tailor Made Combination remains unchanged.

Individual exercise limits

Stock options with delivery of underlying shares at expiration are currently automatically exercised (also known as standard exercise) by the clearing house if they are at least 1% in-the-money when considering the closing price of the underlying share (“fixing price”). As of April 20, 2015 it will be possible for members to configure their own individual exercise limit parameters (in per cent or absolute value) per member and/or account. An individual exercise limit specified for a group of options will override the default value of 1% for standard exercise. All stock options contract specifications have been amended accordingly.

Two Types of Settlement Prices for Flexible Index Options

Currently Nasdaq Clearing offers Flexible index options contracts which are settled using the daily Volume Weighted Average (VWAP) price of the index OMXS30. Exchange Delivery Settlement Price (EDSP) on Close is a commonly used expiry model for which the users of the product in question have expressed interest. Nasdaq
Clearing will offer this as an additional functionality from 20 April, 2015. The new functionality will be reflected in contract specification 3.22 (Flexible Contracts) in Chapter 3(i) of the Rules.

Re-calculation Rules

A few amendments will be made to the re-calculation rules, which can be found in section 3.5 of Chapter 3(i) to the Rules:

Section 3.5.3.6.2.1. A rule regarding the calculation of special dividends in cases where an offer results in a decrease in number of shares as well as distribution to shareholders has been added in order to bring practice in to the Rules.

Sections 3.5.1.6 and 3.5.1.11. References to Russian underlyings have been deleted as such products are no longer offered.

Section 3.5.1.2. Correction to section on rounding of exercise and future prices.