

## CLEARING FUND APPENDIX

### 1 Introduction

- 1.1 This supplement is Appendix 3 of the Clearing Rules, and forms an integral part of the Clearing Rules.
- 1.2 This appendix includes provisions for a Clearing Fund where all Clearing Members are to contribute and that may be applied by Oslo Clearing upon an Event of Default by one or more Clearing Members.
- 1.3 A Clearing Member is liable in connection with other Clearing Member's Events of Default, in accordance with this Appendix 3, occurring on or after such point in time as is set out in Appendix 2, Section 3.2. A Clearing Member with deactivated Clearing Membership is similarly liable in accordance with this Appendix 3 as set out in Appendix 2, Section 4.

### 2 The Clearing Fund Contribution

- 2.1 Each Clearing Member shall be obliged to provide a Clearing Fund Contribution to the Clearing Fund. Oslo Clearing shall, at the end of each calendar month, stipulate the size of the Clearing Fund Contribution to be provided by each Clearing Member.
- 2.2 The Clearing Fund Contribution shall be the higher of the amounts set out in 2.2.1, 2.2.2 and 2.2.3:
  - 2.2.1 The basic Clearing Fund Contribution:

- for a Direct Clearing Member (DCM):	NOK 8,000,000
- for a General Clearing Member (GCM):	NOK 15,000,000.
  - 2.2.2 A fixed percentage of the average value of the Initial Margin for the Net Clearing Transactions of the Clearing Member over the previous 30 Clearing Days.
  - 2.2.3 A fixed percentage of the average value of the Initial Margin for the Net Clearing Transactions of the Clearing Member over the previous 250 Clearing Days.
- 2.3 The average value as set out in 2.2.2 and 2.2.3 is calculated based on those Clearing Days that the Clearing Member had open positions. The fixed percentage is published on the website of Oslo Clearing.
- 2.4 For a new Clearing Member, Oslo Clearing may determine an initial Clearing Fund Contribution based on expected Clearing volumes.
- 2.5 All Clearing Fund Contributions are rounded up to the nearest NOK 100,000.

- 2.6 The notice of a Clearing Fund Contribution establishes the basis for the Clearing Member's obligation to provide the Clearing Fund Contribution. Accordingly, the Clearing Member is legally responsible for the Clearing Fund Contribution attributable to it, prior to and independently of having provided Collateral for the notified Clearing Fund Contribution.
- 2.7 Oslo Clearing reserves the right to change the size of the basic Clearing Fund Contribution and/or the fixed percentage by giving 30 days' notice. In the event of changes in the legislation, or in related sets of rules, decision by public authority or other imperative reason, such changes may be implemented with less than 30 days' notice.

### **3 Collateral for Clearing Fund Contribution**

- 3.1 The Clearing Member shall enter into a separate Financial Collateral Agreement pursuant to the Financial Collateral Act of 26 March 2004 No. 17 relating to its Clearing Fund Contribution.
- 3.2 Clearing Members shall provide Collateral to Oslo Clearing for the Clearing Fund Contribution as further provided for in the General Terms Section 8.3 and Appendix 6 provided, however, that Securities Collateral may only be provided in the form of debt instruments approved by Oslo Clearing.
- 3.3 Collateral value is determined in accordance with Appendix 6.
- 3.4 Collateral for Clearing Fund Contributions shall be held in designated Collateral Accounts separated from the Margin Collateral provided by the Clearing Member or be provided in the form of separate On demand guarantees.

### **4 Notification to provide Collateral**

- 4.1 Oslo Clearing will request the Clearing Member to provide additional Collateral:
  - 4.1.1 upon changes in the Clearing Member's Clearing Fund Contribution determined by the monthly recalculation;
  - 4.1.2 at any time, if the Collateral value that the Clearing Member has deposited no longer meets the Clearing Member's Clearing Fund Contribution requirement;
  - 4.1.3 at any time, upon an Event of Default whereby funds of the Clearing Fund have been drawn (as set out in Section 5, below).
- 4.2 Oslo Clearing will notify the Clearing Member if the Collateral deposited for the Clearing Fund Contribution is insufficient, where after the Clearing Member shall provide additional Collateral within two (2) Clearing Days thereof.

- 4.3 The Clearing Member can access the current value and the required value of its Clearing Fund Contribution through the Oslo Clearing web application.

## **5 Application of Clearing Fund**

### **5.1 Contribution from defaulting Clearing Member**

- 5.1.1 The Collateral provided by the defaulting Clearing Member for its Clearing Fund Contribution may be applied to cover any losses incurred by Oslo Clearing as a consequence of the Event of Default and otherwise as provided for in the Financial Collateral Agreement, subject to Oslo Clearing first seeking to cover its losses with Margin Collateral provided by the Clearing Member.

### **5.2 Contribution from other Clearing Members**

- 5.2.1 The Clearing Fund Contributions of non-defaulting Clearing Members and the Collateral provided therefore may be applied by Oslo Clearing to cover remaining losses caused by an Event of Default after Oslo Clearing has (i) realised all Collateral provided by the defaulting Clearing Member as provided for in section 5.1, and (ii) Oslo Clearing have applied available equity subject to a maximum limit of NOK 30 million in aggregate for losses resulting from all Events of Default occurring on the same Clearing Day, however, limited to NOK 60 million in total for all Events of Default within a 30 days' period.
- 5.2.2 The Clearing Fund Contributions shall be applied pro-rata based on the size of each Clearing Member's Clearing Fund Contribution relative to the total Clearing Fund excluding the defaulting Clearing Member, at the time the Event of Default occurred.
- 5.2.3 Oslo Clearing is entitled to realise Cash Collateral for Clearing Fund Contributions to the extent necessary to apply the Clearing Fund in accordance with the Clearing Rules. In the event that Collateral is provided as other than Cash Collateral Oslo Clearing is entitled to realise such Collateral, however, the Clearing Member may immediately request to provide cash as an alternative to the realisation of the Collateral, subject to consent by Oslo Clearing.
- 5.2.4 Oslo Clearing shall notify the Clearing Members in writing if the Clearing Fund is applied in whole or part. Oslo Clearing may irrespective of any duty of confidentiality otherwise applicable, provide the non-defaulting Clearing Members with information on its losses caused by the defaulting Clearing Member.
- 5.2.5 Any Clearing Member may demand that Oslo Clearing's application of the Clearing Fund is reviewed and evaluated by a third party, preferably an authorized auditor, and that such party shall be given access to all necessary documentation. Oslo Clearing shall be responsible for appointing the third party, and information on the identity of the party appointed shall be available at all times on Oslo Clearing's website. If the appointed third party is not able to act in a specific case because of a conflict of interest, Oslo Clearing will appoint a different person for that case. The Clearing Member that demands review of the calculations shall cover the expenses of the third party's review.

- 5.2.6 Upon later recovery by Oslo Clearing on any losses for which Oslo Clearing has applied Clearing Fund Contributions, Oslo Clearing shall allocate and distribute the recovery amount to the Clearing Members pro rata to their coverage part.
- 5.2.7 Where Clearing Fund Contributions has been applied to cover losses, Oslo Clearing will in writing, call for a top-up amount in Clearing Fund Contribution from each Clearing Member. Any top-up contribution shall not be used to cover the losses caused by the Event of Default which originally caused a draw-down of the Clearing Fund. The Clearing Member shall provide Collateral for the top-up contribution in accordance with Section 4 above.

## **6 Release of Collateral**

- 6.1 The Clearing Member may at any time request the release of Collateral in excess of its Clearing Fund Contribution requirement.
- 6.2 When a Clearing Membership is terminated, the Clearing Member is released from its obligations with respect to the Clearing Fund Contribution with effect for any Default occurring after the termination comes into effect.
- 6.3 When the termination comes into effect, Oslo Clearing shall release the Collateral provided by the Clearing Member, however, Oslo Clearing is entitled to retain Collateral Oslo Clearing reasonably considers necessary to cover any liability the Clearing Member may have towards Oslo Clearing, hereunder related to any Clearing Member's Default(s) occurring prior to the termination entered into effect and to apply such Collateral if such liability or loss materialises. The Collateral shall be released to the Clearing Member as soon as possible when it becomes clear that no liability or loss will materialise.