



# 2024 SIFMA FORM OF AMENDMENT TO FICC CLEARING AGREEMENT

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December 11, 2024

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## 2024 SIFMA FORM OF AMENDMENT TO FICC CLEARING AGREEMENT

Dated as of: \_\_\_\_\_

Between:

\_\_\_\_\_ and \_\_\_\_\_

("Clearing Member")

("Customer")

Reference is hereby made to the Existing FICC Clearing Agreement between Clearing Member and Customer, pursuant to which Clearing Member provides certain services to Customer and submits certain Transactions between the parties to the Government Securities Division of Fixed Income Clearing Corporation ("FICC") to be cleared as Sponsored Member Trades.

The parties have now agreed to amend the Existing FICC Clearing Agreement by the terms of this amendment agreement, including the schedule hereto ("Schedule") (collectively, the "Amendment", and the Existing FICC Clearing Agreement as amended hereby, the "FICC Clearing Agreement") in accordance with the terms of this Amendment.

For purposes of this Amendment, capitalized terms shall have the meanings as specified in Section 6 of this Amendment and the Schedule. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Rulebook of FICC as published on FICC's website from time to time and any and all successors thereto and any procedures and notices relating thereto ("FICC Rules"). If a capitalized term is defined both in the Existing FICC Clearing Agreement and this Amendment, then the definition thereof set forth in this Amendment shall control solely to the extent of the subject matter addressed in this Amendment.

In consideration of the mutual agreements contained in this Amendment, the parties agree as follows:

### 1. ELIGIBLE SECONDARY MARKET TRANSACTIONS

(a) **Transaction Submission.** Clearing Member shall submit each Transaction that is an Eligible Secondary Market Transaction to FICC for clearing pursuant to the terms of the FICC Clearing Agreement (including, if applicable, any submission deadline).

(b) **Rejected Transactions.**

(i) If FICC rejects a Transaction that is an Eligible Secondary Market Transaction but Clearing Member reasonably determines that the Transaction can be resubmitted for clearing, then the parties shall use reasonable efforts to resolve the issues that gave rise to the rejection, and Clearing Member shall resubmit the Transaction to FICC.

(ii) If (A) FICC rejects a Transaction that is an Eligible Secondary Market Transaction or (B) FICC fails to novate such Transaction by the applicable deadline therefor based on the time of submission of such Transaction (such Transaction, a "Rejected Transaction"), and Clearing

Member reasonably determines that the Transaction cannot be resubmitted for clearing, then, unless the parties otherwise agree at the time of such rejection:

- (A) If “Bilateral Transaction” is specified as applicable in the Schedule, the Rejected Transaction shall continue as a bilateral transaction between the parties and be governed by the FICC Clearing Agreement or such other agreement specified as applicable in the FICC Clearing Agreement;
- (B) If “Unwind” is specified as applicable in the Schedule, the Rejected Transaction shall be treated as void *ab initio* to the extent operationally practicable and legally enforceable. Neither party shall owe any amount or have any further obligations to the other party in respect of the Transaction, provided that, if the On-Leg of the Transaction has been settled, each party shall promptly return to the other party the cash or securities they received upon the settlement of the On-Leg;
- (C) If “Termination” is specified as applicable in the Schedule, the Rejected Transaction shall be terminated and a Rejected Transaction Termination Amount shall be payable by (if the amount is negative) or to (if the amount is positive) the Determining Party; or
- (D) If “Other” is specified as applicable in the Schedule, the terms for Rejected Transactions set out in the Schedule shall apply.

## 2. OPTIONAL TERMS: MARGIN

(a) **Margin Module.** If Appendix 1 to this Amendment (the “Margin Module”) is specified as applicable in the Schedule, then the Margin Module shall form part of the FICC Clearing Agreement, and the terms in the Margin Module shall supersede any contrary terms governing Customer’s obligation to transfer margin (however defined) under the Existing FICC Clearing Agreement. Otherwise, the Margin Module shall not form part of the FICC Clearing Agreement.

(b) **Amendments to Existing Margin Terms.** If Customer is required to transfer margin (however defined) to Clearing Member under the Existing FICC Clearing Agreement, and the Margin Module is not specified as applicable in the Schedule, Customer shall transfer such margin pursuant and in accordance with the terms of the Existing FICC Clearing Agreement, provided that, if “On-Posting: Segregation” is specified as applicable in the Schedule:

- (i) **Margin Requirement.** Clearing Member may require Customer to post margin in an amount not less than the Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions under FICC Rules.
- (ii) **Account.** Clearing Member shall credit all Posted Margin to Customer’s Account or Accounts. If no Account has been established pursuant to the Existing FICC Clearing Agreement, then:
  - (A) Clearing Member shall establish and maintain on Clearing Member’s books and records one or more Accounts for and in the name of Customer.
  - (B) The parties hereby agree that assets credited to an Account shall be treated as “financial assets”, the Account shall constitute a “securities account”, and Clearing Member shall act as a “securities intermediary” in respect of thereof, each as defined under

Article 8 of the UCC. The parties further agree that New York is the “securities intermediary’s jurisdiction” for purposes of the UCC, and the law in force in the State of New York is applicable to all issues specified in Article 2(1) of the Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary.

(iii) *Segregated Customer Margin.* Clearing Member shall (A) on-post Posted Margin to FICC to meet a Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions, (B) instruct such On-Posted Margin to be held in a Segregated Customer Margin Custody Account in accordance with the FICC Rules, and (C) comply with any requirements of FICC in connection with the segregation of Customer’s On-Posted Margin. Clearing Member may prefund a Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions by transferring such margin to FICC prior to receiving Posted Margin from Customer to the extent permitted under the FICC Rules.

(iv) *Return of Posted Margin.* If that Clearing Member is required to return Posted Margin to Customer, either as excess margin (however defined), in connection with any right of Customer to substitution, or otherwise, Customer hereby agrees that (A) Clearing Member shall only be required to transfer such margin to Customer to the extent that FICC shall have returned the same to Clearing Member, and (B) Clearing Member may transfer such margin to Customer as soon as practicable after any applicable deadline under the Existing FICC Clearing Agreement if Clearing Member did not have sufficient time in order to effect the transfer of such margin to Customer in accordance with normal business practices following receipt of such margin from FICC.

(v) *Limitation of Liability.* Clearing Member shall have no responsibility or liability for any failure by FICC to return Posted Margin.

(c) Customer agrees that Pledged Collateral shall include any Posted Margin.

### **3. OPTIONAL TERMS: SPONSORED GC TRADES**

If “Sponsored GC Service” is specified as applicable in the Schedule, the parties hereby agree that certain Transactions may be submitted to FICC to be cleared as Sponsored GC Trade (such Cleared Transactions, “Customer Sponsored GC Trades”), and:

(a) *Set-up for Sponsored GC Service.* Prior to the submission by Clearing Member of any Transaction to be cleared as a Sponsored GC Trade, the parties shall have:

(i) Entered into a Custodial Undertaking or similar agreement (the “Custodial Undertaking”) with The Bank of New York Mellon, as custodian and Sponsored GC Clearing Agent Bank under the FICC Rules (the “GC Custodian”), and the “Sponsored GC Annex” thereto;

(ii) Provided to the GC Custodian an FICC Collateral Schedule on the form required by the GC Custodian; and

(iii) Established accounts at the GC Custodian for the settlement of obligations in respect of the Customer Sponsored GC Trades (such account of Customer, the “Customer GC Custodial Account”, and such account of Clearing Member, “Clearing Member GC Custodial Account”, and collectively, the “GC Custodial Accounts”).

- (b) ***Application of Current Terms.*** The parties agree and acknowledge that:
- (i) The terms under the FICC Clearing Agreement applicable to Sponsored DVP Trades (including terms regarding transaction initiation and submission, Customer payment obligations, collateral and security interest, representations and warranties, covenants, events of defaults, remedies, indemnification, and limitation of liabilities) shall apply to Customer Sponsored GC Trades as if the Customer Sponsored GC Trades were Sponsored DVP Trades, subject to modifications set forth in this Section 3; and
  - (ii) Notwithstanding the foregoing, terms under the FICC Clearing Agreement regarding settlement of Sponsored DVP Trades (including any pre-settlement or pre-funding by Clearing Member or pre-positioning by Customer) shall not apply to the Customer Sponsored GC Trades.
- (c) ***Collateral and Security Interest.*** Customer agrees that Pledged Collateral shall include (A) Customer's rights under each Customer Sponsored GC Trade (including any entitlement to payment and delivery from FICC), and (B) if "GC Pledge" is specified as applicable in the Schedule, Additional Collateral. Customer further agrees that its Secured Obligations shall include its obligations to Clearing Member in respect of the Customer Sponsored GC Trades.
- (d) ***Sponsored GC Notice of Control.*** Clearing Member's rights and remedies following a Customer Default shall include the right to deliver a Sponsored GC Notice of Control to the GC Custodian.
- (e) ***Additional Sponsored GC Service Elective Terms.***
- (i) If "FOS Satisfaction" is specified as applicable in the Schedule, Customer and Clearing Member agree that (A) Clearing Member shall satisfy any obligation of Customer to FICC to pay any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades; and (B) in consideration of the agreement of Clearing Member not to seek reimbursement of such amount described in clause (A) from Customer, Clearing Member shall be entitled to any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades due to Customer from FICC.
  - (ii) If "GC Excess Margin" is specified as applicable in the Schedule, then if a Corporation Default occurs and Customer delivers to the GC Custodian a Sponsored GC Notice of Control, Customer shall, concurrently with any instruction to Custodian to remove the securities or cash in the Customer GC Custodial Account, deliver to Clearing Member securities or cash that have a market value equal to the excess, if any, of (a) the market value of cash or securities so removed from the GC Custodial Account corresponding to outstanding Customer Sponsored GC Trades as of the time of the Corporation Default, over (b) the amount Customer is due to receive on such Customer Sponsored GC Trades. For the purposes of this provision, Clearing Member shall determine the market value of securities in a commercially reasonable manner.
  - (iii) If "Close-Out Agent" is specified as applicable in the Schedule: (A) Customer appoints Clearing Member, and Clearing Member agrees, to act as Customer's agent for purposes of effecting the close-out of Customer's Sponsored Member Trades upon a Corporation Default, and (B) Customer shall not take any action (including sending any notices to any custodian) to effect such close-out directly.

#### 4. OPTIONAL TERMS: AGENT CLEARING

If “Agent Clearing” is specified as applicable in the Schedule, the parties hereby agree that certain Transactions may be submitted to FICC as Agent Clearing Transactions (such Cleared Transactions, “Customer Agent Clearing Transactions”), and:

(a) ***Appointment of Agent; Acknowledgement.*** Customer hereby:

(i) Appoints and authorizes Clearing Member to act as its agent with respect to Customer’s satisfaction of its payment and delivery obligations in connection with any Customer Agent Clearing Transactions and for performing all operational functions and receiving all reports and information from FICC relevant to any Customer Agent Clearing Transactions;

(ii) Authorizes Clearing Member to submit Transactions to FICC for clearing as Agent Clearing Transactions in accordance with the FICC Rules and the terms hereof; and

(iii) Acknowledges and agrees that:

(A) The service provided by FICC with regard to the Customer Agent Clearing Transactions will be subject to and governed by the FICC Rules;

(B) The FICC Rules shall govern the novation of Customer Agent Clearing Transactions, and at the time of novation of a Customer Agent Clearing Transaction, Customer will be bound by the Customer Agent Clearing Transaction automatically and without any further action by Customer or by Clearing Member, and Customer agrees to be bound by the applicable provisions of the FICC Rules in all respects;

(C) FICC shall be under no obligation to deal directly with Customer, and FICC may deal exclusively with Clearing Member;

(D) FICC shall have no obligations to Customer with respect to any Customer Agent Clearing Transactions submitted by Clearing Member on behalf of Customer, including with respect to any payment or delivery obligations; and

(E) Customer shall have no right to receive from FICC nor any right to assert a claim against FICC with respect to, nor shall FICC be liable to Customer for, any payment or delivery obligation in connection with any Customer Agent Clearing Transactions, and FICC shall make any such payments or redeliveries solely to Clearing Member.

Clearing Member hereby accepts such appointment.

(b) ***Application of Current Terms.*** The parties agree and acknowledge that the terms under the FICC Clearing Agreement applicable to Sponsored DVP Trades (including terms regarding transaction initiation, submission, and settlement, accounts, Customer payment obligations, collateral and security interest, representations and warranties, covenants, events of defaults, remedies, indemnification, and limitation of liabilities) shall apply to Customer Agent Clearing Transactions, subject to modifications set forth in this Section 4.

(c) **Accounts.** If no Account has been established pursuant to the Existing FICC Clearing Agreement, then:

(i) If “Custody Account” is specified as applicable in the Schedule:

(A) Clearing Member shall establish and maintain on Clearing Member’s books and records one or more Accounts for and in the name of Customer, to which Clearing Member will credit all Customer Agent Clearing Transactions and all cash and securities received by it in respect thereof.

(B) The parties agree that, unless otherwise specified in the Schedule, the Customer Agent Clearing Transactions and other assets credited to the Account shall be treated as “financial assets”, each Account shall constitute a “securities account”, and Clearing Member shall act as a “securities intermediary” in respect thereof, each as defined under Article 8 of the UCC. The parties further agree that New York is the “securities intermediary’s jurisdiction” for purposes of the UCC and the law in force in the State of New York is applicable to all issues specified in Article 2(1) of the Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary.

(C) Clearing Member may hold cash and securities constituting financial assets credited to any Accounts in one or more omnibus custodial accounts (“Custodial Accounts”) in Clearing Member’s name with a custodian together with cash and securities of other customers of Clearing Member for whom Clearing Member clears FICC-cleared transactions (whether or not in the capacity as an Agent Clearing Member). Each Custodial Account will be segregated from any account holding Clearing Member’s proprietary assets except for (A) amounts transferred by Customer or another customer of Clearing Member to settle the on-leg of repurchase transaction that is intended to be submitted for clearing by FICC, but has not been novated to FICC, which may temporarily be credited to the Custodial Account for operational convenience, and (B) securities and cash that Clearing Member may transfer into such Custodial Account for operational convenience or as a reserve in connection with its role as agent for Customer or another customer of Clearing Member.

(ii) If “Other Account Structure” is specified as applicable in the Schedule, then the terms set out in the Schedule shall govern the establishment of Account(s), if any, by Clearing Member and the nature of parties’ relationship with respect to Customer’s assets.

(d) **Agreement on Clearing Model.** Prior to the submission of a Transaction to FICC for Clearing, the parties shall agree whether such Transaction is intended to be cleared as a Sponsored Member Trade or an Agent Clearing Transaction.

(e) **Collateral and Security Interest.** Customer agrees that Pledged Collateral pledged shall include (A) Customer’s rights under each Customer Agent Clearing Transaction (including any entitlement to payment and delivery from FICC), (B) any rights of Customer in any omnibus account that Clearing Member uses to settle Customer Agent Clearing Transactions, (C) any cash or securities held or on behalf of Clearing Member attributable to the Customer Agent Clearing Transactions, and (D) any Account. Customer further agrees that Secured Obligations shall include its obligations to Clearing Member in respect of the Customer Agent Clearing Transactions.

(f) **Customer Payment Obligations.** Customer’s payment obligation to Clearing Member under the FICC Clearing Agreement shall include any amount paid or incurred by Clearing Member (including the

cost of obtaining any securities delivered by Clearing Member) as a result of Clearing Member's satisfaction of Customer's obligations on any Customer Agent Clearing Transaction.

(g) ***Close-Out of Customer Agent Clearing Transactions.*** Clearing Member's rights and remedies following a Customer Default shall include a right to terminate, liquidate, and exercise other rights or remedies available to Clearing Member pursuant to the FICC Rules with respect to the Customer Agent Clearing Transactions.

## 5. MISCELLANEOUS

(a) ***Representations.*** Each party represents to the other party that all representations made by it pursuant to the Existing FICC Clearing Agreement are true and accurate as of the date of this Amendment.

(b) ***Governing Law.*** This Amendment shall be governed by the "Governing Law" specified in the Schedule.

(c) ***Amendment.*** No provision of this Amendment shall in any respect be waived, altered, modified, or amended unless made in accordance with the terms of the FICC Clearing Agreement.

(d) ***Entire Agreement.***

(i) This Amendment constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto.

(ii) Except for any amendment to the Existing FICC Clearing Agreement made pursuant to this Amendment, all terms and conditions of the Existing FICC Clearing Agreement will continue in full force and effect in accordance with its provisions on the date of this Amendment, and the parties hereby ratify and affirm the Existing FICC Clearing Agreement as amended.

(e) ***Counterparts.*** This Amendment may be executed by the parties hereto in any number of counterparts, each of which when so executed and delivered will be an original, but all of such counterparts will together constitute one and the same instrument.

## 6. DEFINITIONS AND INTERPRETATIONS

(a) ***Definitions.*** Capitalized terms defined in this Section 6 and the Schedule will have the meanings therein specified for purposes of this Amendment.

"Account" shall mean any account Clearing Member establishes and maintains on its books and records for and in the name of Customer to which cash or securities Clearing Member receives in respect of Cleared Transactions are credited.

"Amendment" shall have the meaning set forth on the first page of this Amendment.

"Additional Collateral" shall have the meaning set forth in the Schedule.

"Agent Clearing Member" shall have the meaning set forth in the FICC Rules.

"Agent Clearing Transaction" shall have the meaning set forth in the FICC Rules.

"Business Day" shall mean any day on which FICC is open for business.



“Cleared Transaction” shall mean any Transaction that is novated to FICC.

“Clearing Fund” shall have the meaning set forth in the FICC Rules.

“Clearing Member” shall have the meaning set forth on the first page of this Amendment.

“Clearing Member GC Custodial Account” shall have the meaning set forth in Section 3 of this Amendment.

“Corporation Default” shall have the meaning set forth in the FICC Rules.

“Custodial Undertaking” shall have the meaning set forth in Section 3 of this Amendment.

“Customer” shall have the meaning set forth on the first page of this Amendment.

“Customer Agent Clearing Transactions” shall have the meaning set forth in Section 4 of this Amendment.

“Customer GC Custodial Account” shall have the meaning set forth in Section 3 of this Amendment.

“Customer Sponsored GC Trades” shall have the meaning set forth in Section 3 of this Amendment.

“Customer Default” shall mean a default or event of default in respect of Customer (however defined) under the FICC Clearing Agreement.

“Determining Party” shall have the meaning set forth in the Schedule.

“Eligible Secondary Market Transaction” shall mean any transaction that the FICC requires to be cleared by FICC or another clearing agency.

“Existing FICC Clearing Agreement” shall have the meaning set forth in the Schedule.

“FICC” shall have the meaning set forth on the first page of this Amendment.

“FICC Clearing Agreement” shall have the meaning set forth on the first page of this Amendment.

“FICC Rules” shall have the meaning set forth on the first page of this Amendment.

“Funds-Only Settlement Amount” shall have the meaning set forth in the FICC Rules.

“GC Custodial Account” shall have the meaning set forth in Section 3 of this Amendment.

“GC Custodian” shall have the meaning set forth in Section 3 of this Amendment.

“Margin Module” shall have the meaning set forth in Section 2 of this Amendment.

“On-Leg” shall mean, with respect to a Transaction that is a repurchase transaction, the settlement aspect of the Transaction involving the initial transfer of purchased securities by the seller to the buyer against the transfer of cash by the buyer to the seller on the purchase date.

“On-Posted Margin” shall mean any Posted Margin that is on-posted by Clearing Member to FICC to meet a Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions.

“Pledged Collateral” shall mean collateral (however defined) pledged by Customer under the FICC Clearing Agreement to secure certain of its obligations.

“Posted Margin” shall be the initial margin (however defined) transferred by Customer to Clearing Member pursuant to the FICC Clearing Agreement.

“Rejected Transaction” shall have the meaning set forth in Section 1(b)(ii) of this Amendment.

“Rejected Transaction Termination Amount” shall mean an amount determined by the Determining Party in a commercially reasonable manner that represents the amount of the losses or costs of the Determining Party that are or would be incurred under then prevailing circumstances (expressed as a positive number) or gains of the Determining Party that are or would be realized under then prevailing circumstances (expressed as a negative number) in replacing, or in providing for the Determining Party the economic equivalent of, the Rejected Transaction.

“Schedule” shall have the meaning set forth in first page of this Amendment.

“Secured Obligations” shall mean obligations of Customer secured by Pledged Collateral under the FICC Clearing Agreement.

“Segregated Customer Margin” shall have the meaning set forth in the FICC Rules.

“Segregated Margin Custody Account” shall have the meaning set forth in the FICC Rules.

“Sponsored DVP Trades” shall mean Transactions that are submitted to the FICC to be cleared as, and Cleared Transactions that are, Sponsored Member Trades other than a Sponsored GC Trade.

“Sponsored GC Annex” shall have the meaning set forth in Section 3 of this Amendment.

“Sponsored GC Notice of Control” shall have the meaning ascribed thereto in the Sponsored GC Annex.

“Sponsored GC Trade” shall have the meaning set forth in the FICC Rules.

“Sponsored Member Trade” shall have the meaning set forth in the FICC Rules.

“Transaction” shall mean any transaction executed between Customer and Clearing Member pursuant to the FICC Clearing Agreement that is eligible to be cleared by FICC.

“UCC” shall mean the Uniform Commercial Code of the State of New York, as amended.

(b) ***Inconsistency.*** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Amendment, the Schedule will prevail. In the event of any inconsistency between the Amendment or the FICC Clearing Agreement and the FICC Rules, the FICC Rules shall prevail solely with respect to the Cleared Transactions.

(c) ***Interpretations.*** When used in this Amendment, (i) the word “including” shall mean “including but not limited to” and (ii) references to any document or agreement are to such document or agreement as the same may be amended, modified, or supplemented from time to time.

*(Signature page to follow)*

IN WITNESS WHEREOF, the parties have executed this Amendment on the respective dates specified below with effect from the date specified on the first page of this document.

\_\_\_\_\_  
(Name of Clearing Member)

\_\_\_\_\_  
(Name of Customer)

By: \_\_\_\_\_

Name:

Title:

Date:

By: \_\_\_\_\_

Name:

Title:

Date:



## Appendix 1: Margin Module

### 1. CONDITION PRECEDENT

The obligations of Clearing Member under Sections 3(c), 4, and 5 of this Margin Module are subject to the condition precedent that:

- (a) No Customer Default or event which, with the giving of notice or the lapse of time or both, would constitute a Customer Default has occurred (and, if Clearing Member may only exercise remedies under the FICC Clearing Agreement during the continuance of a Customer Default, is continuing); and
- (b) Customer has no outstanding obligations to post margin following a demand for margin pursuant to Section 3(a) of this Margin Module (“Margin Call”).

### 2. ACCOUNTS

- (a) **Account Opening.** If “On-Posting: Segregation”, “On-Posting: No Segregation”, or “No On-Posting: Investment Policy” is specified as applicable in the Schedule, and no Account has been established pursuant to the Existing FICC Clearing Agreement, then Customer and Clearing Member hereby agree that Clearing Member shall establish and maintain on Clearing Member’s books and records one or more Accounts for and in the name of Customer, to which Clearing Member will credit all Posted Margin.
- (b) **Financial Asset Election.** The parties hereby agree that assets credited to an Account shall be treated as “financial assets”, the Account shall constitute a “securities account”, and Clearing Member shall act as a “securities intermediary” in respect of thereof, each as defined under Article 8 of the UCC. The parties further agree that New York is the “securities intermediary’s jurisdiction” for purposes of the UCC, and the law in force in the State of New York is applicable to all issues specified in Article 2(1) of the Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary.

### 3. MARGIN POSTING AND RETURN OBLIGATIONS

- (a) **Customer Obligations to Post Margin.** Following a Margin Call by Clearing Member, Customer shall transfer margin equal to the Required Amount to Clearing Member in the form of Eligible Collateral by the Margin Posting Deadline (or, if no such Margin Posting Deadline is specified, promptly upon demand). For purposes of this Margin Module, the value of Eligible Collateral shall be determined by Clearing Member in a commercially reasonable manner using the Valuation Source and discounted by multiplying with the applicable “Haircut Percentage”, each as set forth in the Schedule.
- (b) **Treatment and Use of Posted Margin.**
  - (i) If “On-Posting: Segregation” is specified as applicable in the Schedule, (A) Clearing Member shall on-post Posted Margin to FICC to meet a Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions and instruct such On-Posted Margin to be held in a Segregated Customer Margin Custody Account in accordance with the FICC Rules, (B) Clearing Member shall comply with any requirements of FICC in connection with the segregation of Customer’s On-Posted Margin, and (C) Clearing Member may prefund a Segregated Customer Margin requirement in respect of Customer’s Cleared Transactions by transferring such margin to

FICC prior to receiving Posted Margin from Customer to the extent permitted under the FICC Rules.

(ii) If “On-Posting: No Segregation” is specified as applicable in the Schedule, (A) Clearing Member shall on-post Posted Margin to FICC to meet a Clearing Fund requirement in respect of Customer’s Cleared Transactions, but not to a segregated account, and (B) Clearing Member may prefund any Clearing Fund requirement in respect of Customer’s Cleared Transactions by transferring such margin to FICC prior to receiving Posted Margin from Customer to the extent permitted under the FICC Rules.

(iii) If “No On-Posting: Investment Policy” is specified as applicable in the Schedule, (A) Clearing Member shall not on-post Posted Margin to FICC, and (B) Clearing Member may invest Customer margin in accordance with the Investment Policy, and any proceeds received from such investment shall be for the benefit of Customer.

(iv) If “No On-Posting: Rehypothecation” is specified as applicable in the Schedule, Clearing Member may sell, pledge, rehypothecate, assign, invest, use, commingle, or otherwise dispose of, or otherwise use in its business any Posted Margin it holds, free from any claim or right of any nature whatsoever of Customer, including any equity or right of redemption by Customer, provided that this provision shall not prejudice Customer’s right to the return of Posted Margin and interests and distributions thereon.

(v) If “No On-Posting: Deposit and Securities Accounts” is specified as applicable in the Schedule, (A) Clearing Member shall credit Posted Margin consisting of cash to a deposit account on its books and records, and (B) Clearing Member shall credit Posted Margin consisting of securities to a securities account on its books and records.

(c) ***Excess Margin Obligations.*** Subject to Section 1 of this Margin Module:

(i) Following a demand for the return of Posted Margin that is in excess of the Required Amount (such demand, a “Return Demand”, and such excess amount, “Excess Margin”), Clearing Member shall transfer Excess Margin to Customer by the Margin Return Deadline specified in the Schedule, provided that, if Clearing Member has on-posted Posted Margin to FICC, in accordance with clauses (i) and (ii) of Section 3(b) of this Margin Module, (A) Clearing Member shall only be required to transfer Excess Margin to Customer to the extent that FICC shall have returned margin in an amount equal to the Excess Margin to Clearing Member, and (B) Clearing Member may transfer Excess Margin to Customer as soon as practicable after the Margin Return Deadline if Clearing Member did not have sufficient time in order to effect the transfer of Excess Margin to Customer in accordance with normal business practices following receipt of such margin from FICC.

(ii) Clearing Member shall, upon notice from Customer, request from FICC the return of any On-Posted Margin equal to the amount of total On-Posted Margin in excess of the margin requirement of FICC in respect of Customer’s Cleared Transactions at the time of such request.

(d) ***Limitation of Liability.*** Clearing Member shall have no responsibility or liability for any failure by FICC to return Posted Margin on-posted in accordance with clauses (i) and (ii) of Section 3(b) of this Margin Module.

#### 4. SUBSTITUTION

If “Substitution” is specified as applicable in the Schedule, then, upon notice to Clearing Member specifying the items of Posted Margin to be exchanged (a “Substitution Notice”), Customer may, on any Business Day, transfer to Clearing Member substitute Eligible Collateral (the “Substitute Margin”), and, subject to Section 1 of this Margin Module, Clearing Member shall transfer to Customer the items of Posted Margin specified in the Substitution Notice not later than the Business Day following the date on which Clearing Member receives the Substitute Margin, provided that:

- (a) Clearing Member shall only be obligated to transfer Posted Margin with a post-haircut value as of the date of such transfer equal to the post-haircut value as of such date of the Substitute Margin; and
- (b) if Clearing Member has on-posted Posted Margin to FICC, in accordance with clauses (i) and (ii) of Section 3(b) of this Margin Module, Clearing Member shall only be required to transfer Posted Margin to Customer pursuant to this Section 4 of this Margin Module to the extent FICC shall have returned to Clearing Member items of Posted Margin specified in the Substitution Notice.

Notwithstanding the foregoing, Clearing Member shall not be obligated to transfer Posted Margin pursuant to this Section 4 if such transfer would cause a breach of any “Monthly Substitutions Limit” specified in the Schedule.

#### 5. DISTRIBUTIONS; INTEREST AMOUNT; ADDITIONAL MARGIN

- (a) ***Distributions.*** If Clearing Member receives or is deemed to receive Distributions on a Business Day, then subject to Section 1 of this Margin Module, it will transfer to Customer not later than the following Business Day any Distributions it receives or is deemed to receive. “Distributions” means, with respect to Posted Margin other than cash, all principal, interest, and other payments and distributions of cash or other property with respect thereto, regardless of whether Clearing Member has disposed of such Posted Margin under Section 3(b) of this Margin Module, provided that “Distributions” shall not include any item of property acquired by Clearing Member upon any disposition or liquidation of Posted Margin or any distributions on any Posted Margin in the form of cash.
- (b) ***Interest Amount.*** Subject to Section 1 of this Margin Module, in lieu of any interest, dividends, or other amounts paid or deemed to have been paid with respect to Posted Margin in the form of cash (all of which may be retained by Clearing Member), Clearing Member shall transfer the Interest Amount to Customer at the times specified in Schedule. The Interest Amount or portion thereof not transferred pursuant to this Section 5(b) of Margin Module will constitute Posted Margin in the form of cash.
- (c) ***Additional Margin.*** Notwithstanding Sections 5(a) and (b) of this Margin Module, if “Additional Margin” is specified as applicable in the Schedule, Clearing Member shall retain any Distributions and any interest, dividends, or other amounts paid or deemed to have been paid with respect to Posted Margin in the form of cash and only release such amount to Customer following a Return Demand or as otherwise provided in this FICC Clearing Agreement.